West Midlands
Economic Impact Monitor

Issue 106 Publication Date 13/09/23

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

This month there is another natural disaster; rescue efforts are ongoing after a powerful earthquake struck central Morocco on Friday night just after 11pm. The death toll has soared to more than 2,000, with a similar number of injured. Inflation continues to be an issue globally post pandemic. Heatwaves, fires and floods are hitting key supply chains. In the first week of September the official heatwave criteria were met for much of England and Wales. This month has also seen Birmingham City Council announce a section 114 notice effectively declaring itself bankrupt. The Council has announced that vital services are safe.

Economy

- In July, real (inflation-adjusted) consumer spending in the US grew strongly. This was not due to an increase in income, as disposable personal income declined from the previous month. Rather households cut the share of income that they save, enabling a big increase in expenditure.
- Eurozone inflation stopped decelerating in August while core inflation declined. This resulted in investors being less certain that the ECB will raise interest rates again.
- Deloitte's growth forecast for the UK continues to be well below pre pandemic levels, slowing abruptly in 2023 due to energy prices and consumer incomes. The forecasts highlight further energy and supply chain disruption as the main downside risks.
- The Consumer Prices Index, including owner occupiers' housing costs (CPIH), rose by 6.4% in the 12 months to July 2023, down from 7.3% in June.
- The Consumer Prices Index (CPI) rose by 6.8% in the 12 months to July 2023, down from 7.9% in June.
- Falling gas and electricity prices provided the largest downward contributions to the monthly change in CPIH and CPI annual rates; food prices rose in July 2023 but by less than in July 2022, also leading to an easing in the annual inflation rates. Hotels and passenger transport by air provided the largest offsetting upward contributions to the change in the rate.
- Producer input prices fell by 3.3% in the year to July 2023, down from a fall of 2.9% in the year to June 2023. Inputs of crude oil and petroleum products provided the largest downward contributions to the annual rates of input and output inflation, respectively.
- The WM Business Activity Index (PMI) decreased from 52.6 in June 2023 to 51.3 in July 2023, although remained above the 50-growth mark for the sixth month in a row. Growth due to new products and services along with demand resilience. Restrictions on business activity link to an economic slowdown, client destocking and unfavourable conditions.
- The WM Future Business Activity Index increased from 74.4 in June 2023 to 76.8 in July 2023. Optimism in WM firms was linked to planned investment in staff and systems, expected gains in market shares and hopes that inflation would retreat.
- Erratic climate conditions in India have led to large scale loss of crops. This has led to rapidly increasing food inflation. The average cost of a regular vegetarian meal has jumped by around a third in a month. The Indian government is taking protectionist measures to safeguard their domestic supply of food. This could severely disrupt international food supply chains.

Electric Vehicle Manufacturing (EVs)

- There are small numbers of manufacturers in this sector in the region, which correspond with the current car manufacturing base. However new products with new capital investment demand can create seismic change in the supply chain, especially if incumbent companies are slow to adapt or change. The low numbers in specific electrical areas demonstrate that companies are likely to still see their core product as combustion engine vehicles;

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however, there is no data available to allow us to understand which companies are moving towards the new markets and how fast they are innovating/moving.

- EVs are projected to match the sales of internal combustion engine (ICE) vehicles by 2030, and to surpass them by 2040. Siemens observed that the recent and rapid growth of EVS is driven by several factors: improved battery technology; regulatory pressure at national, regional, city levels; investment into EV programmes and start-up companies from a variety of sources; a growing network of EV charging stations.
- To meet this increased demand and remain competitive in a changing market, automotive manufacturers will need to ramp up their ability to manufacture EVs at volume. This presents an opportunity for the WM to grow its EV manufacturing capability, building on its existing comparative advantage, business confidence and further market opportunity. The WM Growth Plan projects the following growth opportunity in EV manufacturing: a further £850m – £950m of output and 11,200 to 12,400 jobs (by matching the growth trajectory of the leading UK region for similar clusters).
- To date regional producers, have (2010-22) invested £2.2 million in EV production, 54,000 jobs and £5.1m GVA (SMMT, 2023). JLR has recently announced that it is recruiting 300 technicians and test engineers.
- The production of battery cells is the primary challenge, accounting for 70% of the cost of the battery. Any investment that the region makes in battery manufacturing is strategically important to the growth of the cluster. The UK Battery Industrialisation Centre, based in the region, provides a critical link between research at laboratory or prototype stages and the successful mass production of new battery technologies.
- Professor David Bailey considers Tata's recent decision to build a 'giga-factory' to make batteries for electric vehicles (EVs) in Somerset rather than Spain as "the most significant investment in UK automotive since Nissan. Bailey argues that domestic battery production will reduce supply chain costs and ease logistical difficulties, helping to safeguard jobs, by anchoring JLR vehicle assembly in the WM.
- Key R&D assets include the National Automotive Innovation Centre (NAIC), Advanced Propulsion Centre (APC), Manufacturing Technology Centre (MTC), WMG, HORIBA MIRA, and the universities of Birmingham, Warwick, Coventry, Wolverhampton and Aston amongst others (Invest West Midlands, 2023).
- Challenges of EVs include drive range; vehicle cost; standardisation, quality control and ongoing skills development, as well as warranty, service, and reliability requirements and "charging anxiety".
- Government has published new regulations (July 2023) for public charge points, including a reliability standard of 99% for rapid chargers. The new rules, outlined in the Public Charge Point Regulations 2023.
- Government will phase-out the sale of new petrol and diesel cars and vans,. This has been brought forward to 2030. There is a commitment for all new cars and vans be fully zero emission at the tailpipe from 2035.
- HVM Catapult suggests 63% of current jobs, and as high as 84% for electric machines, will be subject to significant change. Quality engineers and technicians with the knowledge of electronics are amongst the biggest change with needs to re-skill and re-train. Beyond manufacturing, there will be a potential need to reskill 182,000 mechanics and around 175,000 independent dealerships by 2030.
- In 2020 the automotive sector faced multiple concurrent shocks that affected both demand and supply sides of the sector. City-REDI (2022) research found that in 2020 a 25% fall in new car registrations had severe consequences for the Midlands due to the high degree of interconnectivity in the supply chain.
- The sector is facing a transformational change while significant portions of the supply chain can remain similar: autobody construction, fabricated and basic metals, upholstery, and plastics. The drivetrain of vehicles will change substantially. The complexity of an internal combustion engine necessitates many specialised parts (sometimes over 2,000 parts) to be combined from an often locally networked supply chain. These parts are often maintenance intensive and require frequent servicing. The electric vehicle drivetrain is greatly simplified, with sometimes as few as 20 parts. This will present a significant restructuring impact on the current regional asset base and if this fails to happen it could present a major shock to the economy, jobs and businesses in the region.
- This week the Vauxhall plant in Ellesmere Port has become the first electric vehicle only factory, with over £100m investment from parent company Stellantis, demonstrating competition is high across the UK.

Local Authority budgets

- The BBC has recently highlighted the looming black hole in Local Authority Budgets. The average council now faces a £33m ($42m) predicted deficit by 2025-26 – a rise of 60% from £20m two years ago. Unison said the situation meant some councils would not be able to offer the "legal minimum of care" next year. Recent work by City-REDI highlighted Birmingham City Council as an example of this threat, prior to the announcement by the Council of a 114 notice.

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- Reduced budgets can lead to service cutbacks; staff reductions; infrastructure and maintenance; increased fees and charges (including council taxes/business rates); capital projects. delays and cancellations; economic impact through cuts to business support, tourism, job creation and regeneration; and increased demand for social services.

International effects of Cost of living

- Most OECD countries have experienced an upsurge in total inflation growth rate, which includes food and energy. UK annual inflation growth rate increased significantly by 8.6 pp, from 0.8% in the fourth quarter of 2020 to 9.4% in the fourth quarter of 2022, which is in line with the OECD average of 10.1% in Q4 2022.
- Among major economies, Italy witnessed the highest increase in inflation rates (12% by the end of 2022), followed by the Eurozone area (10.3%). Japan, which experiences structural issues that manifest in slow GDP and inflation growth, saw a relatively lower increase, followed by Canada and the United States.
- Due to the deceleration of worldwide economic growth, the reduction in food and energy price inflation, and the monetary constriction enforced by many central banks, inflation is anticipated to decrease across almost all G20 economies in 2023 and 2024.
- When factoring in housing expenses, the overall cost of living in the UK increases, ranking it 20th globally. It is noteworthy that the UK's rank in the overall cost of living index was relatively better before the pandemic and inflation expansion of the past two years, with a rank of 31st in mid-2019.
- The UK has a lower grocery index (47.7 in 2023) compared to many other countries, including the US, Japan, Canada, France, Italy, and Germany. Restaurant prices in the UK (with an index of 67.9) are relatively high compared to other G7 nations, surpassed only by the United States.
- The UK has a relatively strong local purchasing power with a ranking of 14th in the world and an index of 98.9, which is higher than France and Italy but lower than the United States, Germany, Canada, and Japan. Despite the fact that the UK's cost of living is higher than many countries, it is still competitive when compared to the other G7 nations.
- In spite of the labour market tightness and increasing nominal wages, most countries have witnessed a notable decline in real wages (which accounts for inflation), indicating a general decrease in the purchasing power of their workforce.
- The structure of household expenditure across different income groups does vary from country to country. However, analysis at the EU level has shown that, in most member states, the impact of inflation on energy and food prices has also disproportionately affected families with lower incomes.

Employment

- 59.1% of the 21.3 million households had all household members aged 16 years and over in employment during April to June 2023, up 0.3 pp compared with the same period last year.
- 27.2% of households have at least one working and one workless adult, up 0.1 pp compared with the same period last year. 13.7% of households no member of the household was in employment, down 0.4 pp compared with the same period last year.
- The number of young people who were aged 16 to 24 years and not in education, employment, or training (NEET) increased in April to June 2023, to a current estimate of 794,000, up from 770,000. The increase in the number of young people who were NEET was entirely driven by young men.

Labour Market Statistics

- **UK early estimates for July 2023** indicate that there were 30.2m employees, an increase of 1.9% (+578,000 employees) compared the previous year. There was an increase of 15,000 employees aged under 25 years, while the number of employees aged 35 to 49 years increased by 196,000.
- In April to June 2023 reports of UK-wide redundancies in the three months prior increased by 0.9 per thousand employees, compared with the previous quarter, to 3.8 per thousand employees. The UK redundancy rate is similar to pre-coronavirus pandemic levels.
- Estimates for April to June 2023 show decreases in the UK employment and economic inactivity rates compared with the previous quarter (Jan to Mar 2023), while the unemployment rate increased. Flows estimates show that, between January to March 2023 and April to June 2023, there was a large net movement from economic inactivity into unemployment.

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- The UK employment rate was estimated at 75.7% in April to June 2023, 0.1 percentage points (pp) lower than January to March 2023.
- The unemployment rate for April to June 2023 increased by 0.3pp on the quarter to 4.2%.
- The economic inactivity rate decreased by 0.1pp on the quarter, to 20.9% in April to June 2023.
- **WMCA** - **year ending March 2023**, the economic activity rate was 73.5%, compared to 78.3% UK-wide, decreased by 1.5pp and for the UK, decreased by 0.1pp when compared to the year ending March 2023.
- Employment rate in the WMCA area was 68.6%, compared to 75.4% UK-wide, decreased by 1.4pp when compared to the year ending March 2022. In contrast, the UK employment rate increased by 0.3pp.
- In the year ending March 2023, the economic inactivity rate in the WMCA area was 26.5%, an increase of 1.5pp from the year ending March 2022. Over the same period the UK increased by 0.1pp to 21.7%.
- In the year ending March 2023, the modelled unemployment rate in the WMCA area was 6.6%, compared to 3.7% for England-wide. The modelled unemployment rate for the WMCA area increased by 0.1pp when compared to the year ending March 2022. England's modelled unemployment rate decreased by 0.5pp.
- 37.8% (656,400) of the working age population had RQF4+ qualifications. This was below the UK-wide average of 45.5%.
- 10.6% (184,000) of the working age population had no qualifications, this was above the UK-wide average of 7.0%.
- There were 126,125 claimants in the WMCA area in July 2023. Since June 2023, there has been an increase of 1.5% (+1,900) claimants in the WMCA area, while the UK increased by 1.8%. When compared to March 2020 (pre-Coronavirus pandemic), claimants have increased by 27.0% (+26,825) in the WMCA area, with the UK increasing by 23.3% over the same period.
- 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 July 2023.
- In July 2023 there were 23,315 youth claimants in the WMCA area. Since June 2023, there was an increase of 2.0% (+460) youth claimants in the WMCA area, while the UK increased by 2.2%. When compared to March 2020 (pre-Coronavirus pandemic), youth claimants have increased by 21.7% (+4,160) in the WMCA area, with the UK increasing by 12.9%.
- The number of youth claimants as a percentage of residents aged 18-24 years old was 8.2% compared to 4.9% for the UK in July 2023.

Global, National and Regional Outlook

Alice Pugh, Rebecca Riley, WMREDI

Global

Rescue efforts are ongoing after a powerful earthquake struck central Morocco, on Friday night just after 11pm. The death toll has soared to more than 2,000, with a similar number of injured. The interior ministry says more than 1,400 have serious injuries, and the heaviest casualties are in provinces just south of Marrakesh.

Global Economy

Looking at the international Economy, Deloitte is confident the Dollar will remain dominant for a long time despite threats from other currencies. First, the volume of US sovereign debt as a share of GDP is not unprecedented and, as evidenced by historically low bond yields, it is not a concern to the investment community. Secondly, China has capital controls, which means that holders of renminbi are not assured the flexibility that comes from holding dollars.

In July, real (inflation-adjusted) consumer spending in the United States grew strongly. This was not due to an increase in income as real disposable personal income declined slightly from the previous month. US households cut the share of income that they save, thereby enabling a big increase in expenditure. Moreover, it appears that underlying consumer demand remains strong.

Eurozone inflation stopped decelerating in August while core inflation declined. Resulting in investors being less certain that the ECB will raise interest rates again. The result was that the euro fell in value against the US dollar after German and French bond yields fell sharply. Inflation remains high.

Indian Food Exports

Erratic climate conditions in India have led to large scale loss of crops. This has led to rapidly increasing food inflation. The average cost of a regular vegetarian meal has jumped by around a third in a month. As a result, the Indian government is taking protectionist measures to protect the economy and to safeguard their domestic supply of food. The Indian government has decided to ban the exportation of certain agricultural goods to maintain domestic supply and thus reduce prices of agricultural goods. So far India has banned the export of both wheat and non-basmati rice, with sugar exports likely to be banned within the next few months. The Finance ministry has also imposed a duty of 40% on onions to discourage exports.

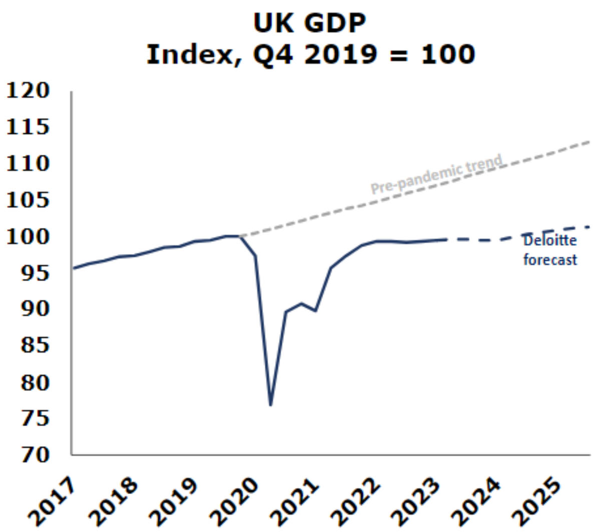
This restriction of supply of these goods on the international market could led to further food inflation globally. India supplies 40% of the worlds rice exports and is the second largest global producer of both onions and sugar. Thailand alone has seen the price of rice jump 20% in the month since India banned non-basmati rice exports. Countries most likely to suffer the impact of rising rice prices will be poorer African and Asian countries as rice is a staple within low-income household diets as it is usually cheap and has a high calorific content.

42 countries in Asia and Sub-Saharan Africa get 50% of their total imports from India, increasing to up to 80% in some countries. Given other countries have also been suffering similar erratic weather in the last few months it is unlikely that they will be able to fully substitute this lost supply. This will lead to further food poverty and increase instability in a number of countries as households are unable to afford basic necessities. Whilst many commentators are calling for the lifting on the ban, this seems unlikely as India is building up to a general election and the priority of the government will likely be its own domestic market. Hence, in the coming months it is likely that food inflation will remain high as countries compete for less supply of food staple crops globally, mostly as the result of adverse weather conditions destroying crops and ruining agricultural land globally.

National

Warm weather continued throughout the first week of September, with the warmest days of 2023 recorded at 32.7C and 32.6C at Heathrow and Wisley. Official heatwave criteria have been met for much of England and Wales, with temperatures likely peaking.

The latest Deloitte growth forecast for the UK continues to be well below pre pandemic levels, slowing abruptly in 2023 due to energy prices and consumer incomes. The forecasts highlight further energy and supply chain disruption as the main downside risks.



Deloitte's UK GDP growth forecast – 2023: 0.2%; 2024; 0.6%

Baseline forecast

- Global growth slows abruptly in 2023 as rising energy prices hit consumer incomes and hinder industrial production
- Central banks in major advanced economies have completed the majority of their interest rate hikes and only gradual policy changes are expected over the next 12 months
- Our base case is that the UK economy is likely to stagnate in the second half of 2023 before a gradual pick up in growth in 2024

Downside risks

- Higher inflation exhibits greater persistence than feared, leading to further central bank tightening
- Greater disruption to global energy supplies and/or supply chains
- Financial risks materialise

Consumer Price Inflation

In the latest inflation update for July 2023, released by ONS, the key findings were:

- The Consumer Prices Index, including owner occupiers' housing costs (CPIH), rose by 6.4% in the 12 months to July 2023, down from 7.3% in June.
- On a monthly basis, CPIH fell by 0.3% in July 2023, whereas it rose by 0.6% in July 2022.
- The Consumer Prices Index (CPI) rose by 6.8% in the 12 months to July 2023, down from 7.9% in June.
- On a monthly basis, CPI fell by 0.4% in July 2023, compared with a rise of 0.6% in July 2022.
- Falling gas and electricity prices provided the largest downward contributions to the monthly change in CPIH and CPI annual rates; food prices rose in July 2023 but by less than in July 2022, also leading to an easing in the annual inflation rates.
- Hotels and passenger transport by air were the classes that provided the largest offsetting upward contributions to the change in the rate.
- Core CPIH (excluding energy, food, alcohol and tobacco) rose by 6.4% in the 12 months to July 2023, the same rate as the 12 months to June 2023; the CPIH goods annual rate slowed from 8.5% to 6.1%, while the CPIH services annual rate was 6.5%, up from 6.3% in June.
- Core CPI (excluding energy, food, alcohol and tobacco) rose by 6.9% in the 12 months to July 2023, unchanged from June; the CPI goods annual rate slowed from 8.5% to 6.1%, while the CPI services annual rate rose slightly from 7.2% to 7.4%.

Producer price inflation

In its latest producer price inflation update for July 2023, released by ONS, the key findings were:

- Producer input prices fell by 3.3% in the year to July 2023, down from a fall of 2.9% in the year to June 2023.
- Producer output (factory gate) prices fell by 0.8% in the year to July 2023, down from a rise of 0.3% in the year to June 2023.
- On a monthly basis, producer input prices fell by 0.4% while output prices rose by 0.1% in July 2023.
- Inputs of crude oil and petroleum products provided the largest downward contributions to the annual rates of input and output inflation, respectively.
- While annual producer price inflation rates have turned negative, with prices in some sectors falling, the index levels for both input and output prices remain substantially higher than their 2021 levels.

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Working and workless households

The ONS has released data on working and workless households in the UK between April to June 2023, where at least one person in a household is aged 16 to 64. The key findings were:

- Of the estimated 21.3 million households (where at least one member is aged 16 to 64 years) in the UK, 59.1% had all household members aged 16 years and over in employment during April to June 2023, up 0.3 percentage points compared with the same period last year.
- There were an estimated 27.2% of households with a mix of at least one working and one workless adult, up 0.1 percentage points compared with the same period last year.
- There were an estimated 13.7% of households where no member of the household was in employment, down 0.4 percentage points compared with the same period last year.

Young people not in education, employment or training (NEET)

The ONS has released data on estimates of young people (16 to 24) who are not in education, employment or training for August 2023. The key findings were:

- The number of young people who were aged 16 to 24 years and not in education, employment or training (NEET) increased in April to June 2023, to a current estimate of 794,000, up from 770,000 in January to March 2023.
- The percentage of all young people who were NEET in April to June 2023 was estimated at 11.6%, up 0.3 percentage points on the quarter (January to March 2023), and up 0.5 percentage points compared with pre-coronavirus (COVID-19) pandemic levels (October to December 2019).
- The increase in the number of young people who were NEET was entirely driven by young men, where there was an increase of 38,000 in the quarter.
- The number of young people who were NEET and unemployed in April to June 2023 was estimated to be 327,000.
- The number of young men aged 16 to 24 years who were NEET and unemployed increased by 56,000 on the quarter, a record quarterly increase.
- There were an estimated 467,000 young people in the UK who were NEET and economically inactive, a decrease of 8,000 on the quarter.

Regional

Latest PMI

- The West Midlands Business Activity Index decreased from 52.6 in June 2023 to 51.3 in July 2023, although remained above the 50-growth mark for the sixth month in a row. Growth was due to the launch of new products and services along with demand resilience. Restrictions on business activity link to an economic slowdown, client destocking and unfavourable conditions.
- The UK Business Activity Index decreased from 52.8 in June 2023 to 50.8 in July 2023.
- Out of the 12 UK regions, the West Midlands was the fourth highest for business activity in July 2023.
- The West Midlands Future Business Activity Index increased from 74.4 in June 2023 to 76.8 in July 2023. Optimism in West Midlands firms was linked to planned investment in staff and systems, expected gains in market shares and hopes that inflation would retreat.
- Out of the 12 UK regions, the West Midlands was the highest region for future business activity in July 2023.

Birmingham City Council announced a section 114 notice effectively declaring itself bankrupt. The Council has announced that vital services are safe. Key contributors to the financial difficulties the Council is facing are the costs of meeting an equal pay claim and a failed IT system. The Prime Minister has ruled out a bailout. This has raised issues about the funding and stability of local authorities in the future. The IFS pointed out in July 2023 that nationally Local authority 'spending power' – the amount of money authorities have to spend from government grants, council tax and business rates – fell by 17.5% between 2009/10 and 2019/20, before partially recovering. However, in 2021/22 it was still 10.2% below 2009/10 levels.

It is possible that more councils will face similar decisions to that Birmingham has made.

Electric Vehicle Manufacturing in the West Midlands

Dr Chloe Billing and Reen Blake-Carr

(With thanks to Charlie Hopkirk, Principal Analyst – Business & Economy, Midlands Engine).

Electrical Vehicle (EV) manufacturing in the West Midlands

An electric vehicle (EV) is a mode of transport which is powered by electricity. Unlike conventional vehicles that use a gasoline (petrol) or diesel-powered engine, electric cars and trucks use an electric motor powered by electricity from batteries or a fuel cell.

EVs include but are not limited to road and rail vehicles, and broadly can also include electric boat and underwater vessels, electric aircraft and electric spacecraft. Electric road vehicles include electric passenger cars, electric buses, electric trucks and personal transporters such as an electric buggy, electric tricycles, electric bicycles and electric motorcycles/scooters. **The focus of this deep-dive study is on electric cars.**

EV manufacturing is a relatively nascent and undefined industry which cross-cuts several other more traditional and some emerging sectors (Midlands Engine, 2023). It is also a cluster with relatively few studies and there is a paucity of data on it. There is not a SIC code definition for electric vehicles. Analytically, there is also the added complexity of the wider automotive sector being made up of several SIC codes (because of its complex supply chain), which need to be combined before we can begin to quantify its size.

The tables below show breakdowns from RedFlag and Nomis figures for the WMCA area based on SIC sectors relevant to EV manufacturing. The statistics provide information on the total number of businesses, based on trading addresses. We have excluded dissolved and not trading businesses. **The data presented should be taken with caution and in full knowledge of limitations previously outlined.**

The tables below illustrate the small numbers from official sources in the sector in the region, 15 companies in manufacture of EV, 15 in manufacturing of electrical equipment for cars and none in batteries demonstrate the emerging market size, and they correspond with the current car manufacturing base. However new products with new capital investment demand can create change in the supply chain, especially if incumbent companies are slow to adapt or change. The low numbers in specific electrical areas below demonstrate that companies are likely to still see their core product as combustion engine vehicles; however there is no data available to allow us to understand which companies are moving towards the new markets.

Table 1 Number of companies in most relevant EV SIC codes

Location	29100 : Manufacture of motor vehicles	29202 : Manufacture of trailers and semi-trailers	29310 : Manufacture of electrical and electronic equipment for motor vehicles	27110 : Manufacture of electric motors, generators and transformers.	27200 : Manufacture of batteries and accumulators
Birmingham	25	0	5	10	0
Coventry	20	0	5	0	0
Dudley	5	0	0	0	0
Sandwell	0	0	5	5	0
Walsall	5	0	0	0	0
Wolverhampton	5	0	0	0	0
Solihull	5	0	0	0	0
WMCA Total	65	0	15	15	0

Source: Nomis

Red Flag data below provides higher numbers of companies across more diverse SIC codes. Red Flag data is pulled from multiple sources and is current. This may provide a more real time view of the current number of companies. However, again we do not have a full picture of what part they play ion the supply chain. This can be seen as the established WM sector (manufacture of motor vehicles is similar to official numbers). However, in the newer emerging sectors the number of companies are higher, with electrical manufacture (22 companies) and manufacture of electric motors and generators significantly higher (48).

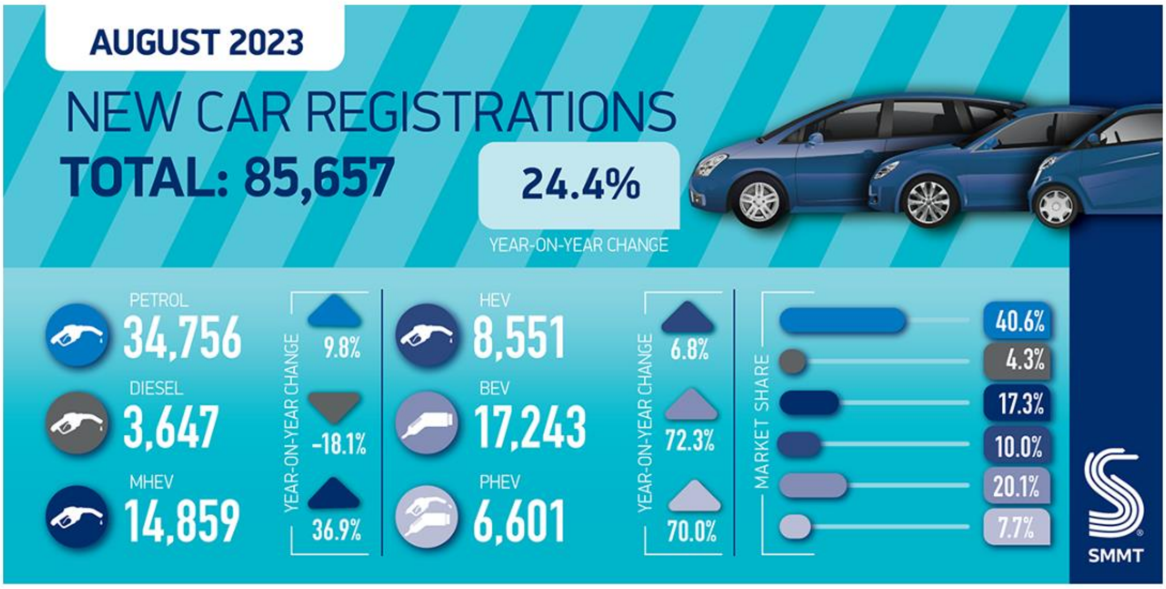
Table 2 RedFlag – number of companies in most relevant EV SIC codes

Location	29100 : Manufacture of motor vehicles	29202 : Manufacture of trailers and semi-trailers	29310 : Manufacture of electrical and electronic equipment for motor vehicles	27110 : Manufacture of electric motors, generators and transformers.
Birmingham	26	2	9	13
Coventry	16	0	3	6
Dudley	4	3	2	8
Sandwell	4	2	1	6
Walsall	6	3	1	9
Wolverhampton	3	1	3	6
Solihull	4	0	3	0
WMCA Total	63	11	22	48

Source: RedFlag

Recent Growth in EV sales

EV sales have seen steady growth over the last five years, with a growing adoption of EVs by mainstream consumers. An analysis by SMMT on annual UK car production in 2022 observed record levels of electrified vehicle production with almost a third of all cars made being fully electric or hybrid (worth £10 billion in exports alone). Additionally, August 2023 saw a further boost to the EV market with battery electric cars accounting for the highest monthly market share for the year (20.1% of new cars reaching the road).



Source: August boost for EV market but regulatory uncertainty threatens future ambitions - SMMT

EVs are projected to match the sales of internal combustion engine (ICE) vehicles by 2030, and to surpass them by 2040. A recent report by Siemens observed that the recent and rapid growth of electric vehicles (EVs) is driven by several factors:

- Key EV technologies, such as batteries, are improving faster than expected.
- Greater regulatory pressure at national, regional and city levels is driving early adoption of what is perceived to be a new norm.
- Intense investment into EV programmes and start-up companies from a variety of sources, both traditional automotive companies and new entrants to the market.
- A growing network of EV charging stations makes it easier and more convenient to use an EV every day.

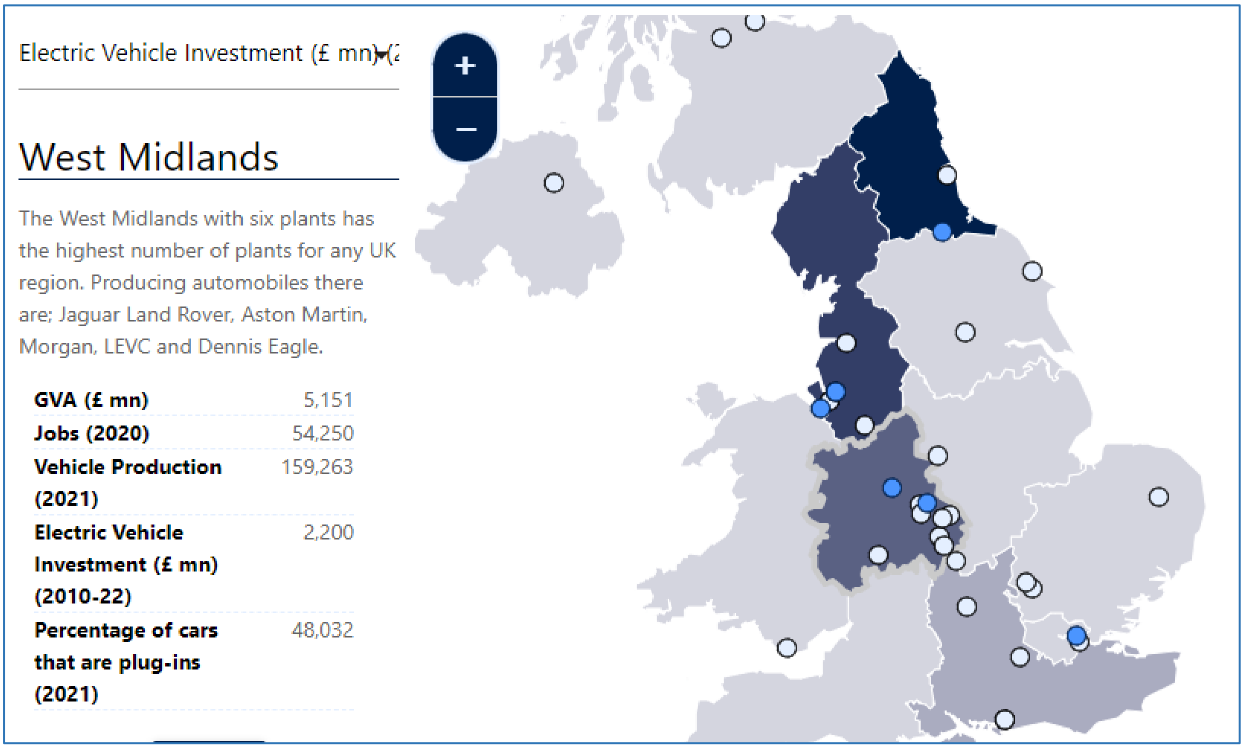
New research from Midlands Connect suggests that the Midlands will see a 2,475% increase in uptake in Electric Vehicles by the end of 2030, with projections predicting to rise from 68,725 EVs today to 1,769,855 on its roads by the end of 2030. This means nearly a third (28.4%) of all vehicles registered in the Midlands Connect area could be an electric vehicle by the end of 2030 (Greater Birmingham Chambers, 2023).

To meet this increased demand and remain competitive in a changing market, automotive manufacturers will need to ramp up their ability to manufacture EVs at volume. This presents an opportunity for the West Midlands to grow its EV manufacturing capability, building on its existing comparative advantage, business confidence and further market opportunity. The West Midlands Growth Plan projects the following growth opportunity in EV manufacturing: a further **£850m – £950m of output** and **11,200 to 12,400 jobs** (by matching the growth trajectory of the leading UK region for similar clusters).

Comparative Advantage

Established OEM and automotive supply chains - The West Midlands prides itself on its automotive heritage, with 40% of all cars exported from the UK being made in the West Midlands (Invest West Midlands, 2023).This has created unrivalled opportunities for the manufacturing of Electric Vehicles in the region. The West Midlands Automotive sector has the highest number of plants for any UK region (Jaguar Land Rover, Aston Martin, Morgan, LEVC and Dennis Eagle). With major Original Equipment Manufacturers (OEM) based in the region, there are significant supply chains of some 1,457 companies in the region – with critical company representation throughout all tiers of production (Midlands Engine, 2023).

Electric Vehicle Investment – West Midlands



Source: SMMT

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

To date these producers, have (2010-22) invested £2.2. million in EV production, 54,000 jobs and £5.1m GVA (SMMT, 2023). Additionally, Jaguar Land Rover has recently announced that it is recruiting 300 technicians and test engineers at its Solihull, Gaydon and Whitley plants. JLR said the roles would support increased Range Rover production and the testing and maintenance of new electric vehicles (BBC News, 2023). Meanwhile, its Wolverhampton internal combustion engine manufacturing facility will also begin producing electric drive units and battery packs for its future EVs, according to the BBC

National assets based in the West Midlands focussing on battery manufacturing.
The cost to manufacture and purchase EVs will decline as production increases, but reaching price parity with conventional vehicles will require additional advancements in battery production methods. Batteries are the primary contributor to the cost of EVs therefore reducing the cost of battery production is a critical step (Siemens.com). The production of battery cells is the primary challenge, accounting for 70 percent of the total cost of the battery pack. Therefore, any investment that the region makes in battery manufacturing is strategically important to the growth of its EV manufacturing cluster. For example, the UK Battery Industrialisation Centre, based in the region, provides a critical link between research at laboratory or prototype stages and the successful mass production of new battery technologies. These links will also be hugely important to the future development of the Gigafactory in the West Midlands, which is another crucial investment for the region. The Gigafactory is a public private joint venture between Coventry City Council and Coventry Airport Ltd, aiming to provide up to 60GWh – enough to power 600,000 electric vehicles per year. Currently, the venture continues to explore investment opportunities with battery manufacturers from around the globe, but there is a planned investment of £2.5bn in the region, which will create 6,000 new highly skilled jobs directly and thousands more in the supply chain.

Professor David Bailey, considers Tata's recent decision to build a 'giga-factory' to make batteries for electric vehicles (EVs) in Somerset rather than Spain is seen as "the **most significant investment in UK automotive** since Nissan first came to the UK decades ago. Bailey argues that domestic battery production will reduce supply chain costs and ease logistical difficulties, helping to safeguard jobs, by anchoring Jaguar Land Rover (JLR) vehicle assembly in the West Midlands and Merseyside. It was feared that a Tata investment in making batteries at scale in the EU could presage JLR EV assembly shifting there over time, given that batteries are heavy and expensive to move around (UKandEU, 2023).

R&D and innovation assets

The West Midlands is a leader in electrification and low carbon technologies. Consequently, there is an existing ecosystem of R&D and innovation assets which support EV manufacturing in the region. These include the National Automotive Innovation Centre (NAIC), The Advanced Propulsion Centre (APC), Manufacturing Technology Centre (MTC), WMG, HORIBA MIRA, the universities of Birmingham, Warwick, Coventry, Wolverhampton and Aston amongst others (Invest West Midlands, 2023).

Specific examples of university research relevant to EV manufacturing includes:

- As part of the university's collaboration with the Faraday Institution, WMG, University of Warwick, has been awarded a share of £29 million funding to develop new insights into electrochemical energy storage. The three WMG research projects are entitled Extending Battery Life; Battery Modelling; and Battery Safety.
- The University of Wolverhampton's Centre for Engineering, Innovation and Research is currently researching GreenTech, including but not limited to energy storage and batteries.
- Aston University European Bioenergy Research Institute (EBRI) commissioned the UK's first permanent electric vehicle to grid (V2G) charging system. It is also researching the next generation of electric vehicle charging infrastructure, which aim to allow power to flow both in the traditional way (grid to vehicle) and in reverse (vehicle to grid)
- University of Birmingham Vehicle Technology Research Centre - Vehicle Dynamics Laboratory has strong links with UK and international automotive businesses, including Jaguar Cars, Goodyear Tyres Technical Centre and Michelin Americas R&D Corp.
- University of Warwick National Automotive Innovation Centre - the largest research centre of its kind in Europe, with 33,000m2 dedicated to automotive innovation. Focused on the long-term challenges outlined by the UK Automotive Council, including electric vehicles, carbon reduction, smart and connected cars. This is a partnership between WMG at the University of Warwick, Jaguar Land Rover and Tata Motors UK.

Challenges to overcome

Drive range and vehicle cost continue to be central concerns of consumers and present a challenge to EV manufacturers. Automotive manufacturers must maximize the drive range of their vehicles while continuing to reduce costs through more efficient production. This will require continued investment from both the public and private sector.

Meanwhile, overcoming "charging anxiety" calls for a two-pronged strategy to increase consumer confidence in electric vehicle charging: "rigorous efforts by the industry itself, and effective government policy frameworks. Priorities include standardisation, quality control and ongoing skills development, as well as warranty, service and reliability requirements, and monitoring of chargers" (theconversation.com, 2023). WSP forecasts that the Midlands region requires a further 8,909 public charging points in this period to support this increase in EV use. Analysis by Midlands Connect suggests that a £131 million 'Electric Vehicle fund' is needed to support them in delivering the public charging points needed this decade. Research predicts that private businesses will fund just over half of the electric vehicle charging points needed on the network (51%), with local authorities expected to deliver the other half (49%) (Midlands Engine, 2023).

The Government has published new regulations (July 2023) for public charge points, including a reliability standard of 99% for rapid chargers. The new rules, outlined in the *Public Charge Point Regulations 2023*, aim to improve the charging experience for electric vehicle (EV) drivers. 13 midlands councils will collaborate to access £39,3m funding to access more chargers, and the UKs largest EV charging hub opens at NEC Birmingham. The site is capable of charging 180 EV's simultaneously and is equipped with 30 ultra-fast 300KW DC chargers. The site also has a further 150 points for 7kW charging.

The Government will phase-out the sale of new petrol and diesel cars and vans, which was brought forward to 2030 and they have committed to see all new cars and vans be fully zero emission at the tailpipe from 2035. The move is underpinned by over £1.8 billion to support greater uptake of zero emission vehicles for greener car journeys. Measures include more charge points to build on our world-class infrastructure network, alongside innovation for new clean technologies.

To meet increased demand and remain competitive in the EV manufacturing space, automotive manufacturers in the region will need to continue to upskill. A report from HVM Catapult suggests a strong case for electrification skills in automotive manufacturing: 63% of current jobs, and as high as 84% for electric machines, will be subject to significant change. Quality engineers and technicians with the knowledge of electronics are amongst the biggest change with needs to re-skill and re-train. Beyond manufacturing, there will be a potential need to reskill 182,000 mechanics and around 175,000 independent dealerships by 2030. Emergency response roles will also need specialist reskilling including as much as 61,000 visible police, 28,500 specialist police, 26,000 specialist advanced paramedic and paramedic, and 44,000 firefighters. There is a need to enable technical reskilling, guided through an appropriate industrial strategy that includes skills programmes for automotive transition – incorporating both digital and green skills.

Potential future shocks

The automotive sector is one of the Midlands key areas of competitive advantage and of significant economic importance to the region. 35% of all automotive manufacturing employment in the UK is in the West Midlands and 40% of all vehicles exported from the UK are made in the region.

In 2020 the automotive sector faced multiple concurrent shocks that affected both demand and supply sides of the sector. City-REDI (2022) research found that in 2020 a 25% fall in new car registrations had severe consequences for the Midlands due to the high degree of interconnectivity in the supply chain.

Electrification presents a similar level of shock. Looking forwards to 2030, the sector is facing a transformational change away from fossil fuel vehicle production to electric vehicles. While significant portions of the supply chain can remain similar; autobody construction, fabricated and basic metals, upholstery and plastics. The drivetrain of vehicles will change substantially. The complexity of an internal combustion engine necessitates many specialised parts (sometimes over 2,000 parts) to be combined from an often locally networked supply chain. These parts are often maintenance intensive and require frequent servicing. The electric vehicle drivetrain is greatly simplified with sometimes as few as 20 parts, this will present a significant restructuring impact on the current regional asset base, if this fails to happen could present a major shock to the economy, jobs and businesses in the region. This week the Vauxhall plant in Ellesmere Port has become the first electric vehicle only factory, with over £100m investment from parent company Stellantis, demonstrating competition is high across the UK to lead the way.

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The Impact of the Black Hole in Local Authority Budgets and its impact on services

Rebecca Riley, Dr Abigail Taylor, Alice Pugh, WMREDI

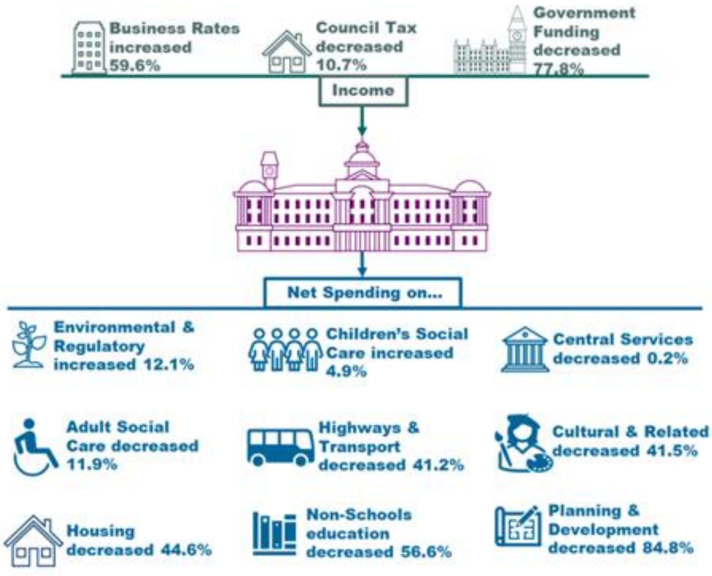


Figure 1: Main funding and spending flows for Birmingham City Council

The BBC has recently highlighted the looming black hole in Local authority Budgets. The average council now faces a £33m ($42m) predicted deficit by 2025-26 – a rise of 60% from £20m two years ago. Unison said the situation meant some councils would not be able to offer the "legal minimum of care" next year. Recent work by City-REDI highlighted Birmingham City Council as an example of this threat, prior to the announcement by the Council of a 114 notice.

Birmingham in Crisis: an example a Local Authority navigating the Black Hole and its Impact.
Recent news has shed light on Birmingham City Council's financial struggles, triggering a spending freeze and heightened budget scrutiny. Termed "the biggest challenge the council has ever faced" by local councillors, this predicament underscores the pressing issue of local authority budget cuts. While media coverage focuses on failures, it i crucial to delve deeper into the historical and ongoing equal pay pressures that have burdened Birmingham City Council. Moreover, these challenges are exacerbated by substantial budget cuts that local authorities across the UK have encountered over the past decade.

Understanding Birmingham City Council's Financial Landscape
A comprehensive understanding of Birmingham City Council's financial landscape reveals the sources of its income, changes over time, and expenditure patterns. This analysis, based on the research conducted by City-REDI in 2022, also delves into the budgetary pressures and their cascading effects on decision-making processes.

The Ripple Effect of Funding Reductions
The impact of budget cuts on UK local authorities cannot be underestimated. Government funding has experienced a drastic reduction due to austerity policies introduced by successive governments. This has led to significant budget slashes, with Birmingham City Council alone enduring austerity cuts amounting to £736 million.

- Service Cutbacks: Local authorities rely on funding to provide vital services such as education, social care, waste management, and transportation. When faced with funding reductions, leaders may be compelled to make cutbacks, resulting in diminished service quality or even service cancellations. Birmingham's Adult Social Care spending decreased by 11.9%, Children's Services by 4.8%, and environmental protection by 12.1.

- Staff Reductions: Budget constraints often force local authorities to reduce their workforce, leading to layoffs, retirements, or hiring freezes. This places additional burdens on existing staff, potentially resulting in burnout.

Birmingham City Council's workforce reduction of 48% (12,000 staff) over a decade jeopardizes its capacity to innovate and develop strategies for efficient financial management.

- Infrastructure and Maintenance: Insufficient funding hampers investment in crucial infrastructure development and maintenance. Neglected roads, bridges, and public buildings can pose safety hazards and degrade the overall quality of public assets. Birmingham's highways and transport budgets have plummeted by 41.2%.

- Increased Fees and Charges: To compensate for reduced funding, local authorities may raise fees and charges for services, impacting affordability and straining residents and businesses. However, limited staff and innovation capacity hinder the exploration of alternative income sources, often rendering these efforts less effective.

- Capital Project Delays or Cancellations: Funding cuts can lead to delays or cancellations of planned capital projects, hampering economic development, infrastructure improvements, and community well-being. Birmingham's planning and development budget has suffered an 84.8% reduction.

- Economic Impact: Local authorities play a pivotal role in bolstering local economies through initiatives like business support programmes and tourism promotion. Funding cuts impede these efforts, potentially hampering job creation, investment attraction, and overall economic growth.

- Increased demand for Social Services: Demographic changes, coupled with funding reductions, strain social services. The pandemic and cost-of-living crisis have exacerbated these challenges, making it difficult for local authorities to meet the growing needs of vulnerable populations.

Navigating Crisis and Building Resilience

Birmingham, as one of Europe's largest authorities, is grappling with unprecedented budget constraints that have far-reaching implications. Diminished services, strained resources, and challenges in meeting community needs underscore the urgent need for innovative strategies.

In Conclusion

Birmingham City Council's financial woes highlight the critical issue of local authority budget cuts, compounded by historical and ongoing pressures. As funding reductions cascade across essential services, staff, infrastructure, and economic initiatives, the council faces an uphill battle to maintain quality of life for its residents. Navigating this crisis demands a multifaceted approach, including innovative income generation, strategic resource allocation, and collaboration with the community. Only through these efforts can Birmingham and other local authorities weather the storm of budget cuts and emerge more resilient than before.

REDI-Updates: How Does the Cost-of-Living Crisis Compare Internationally?

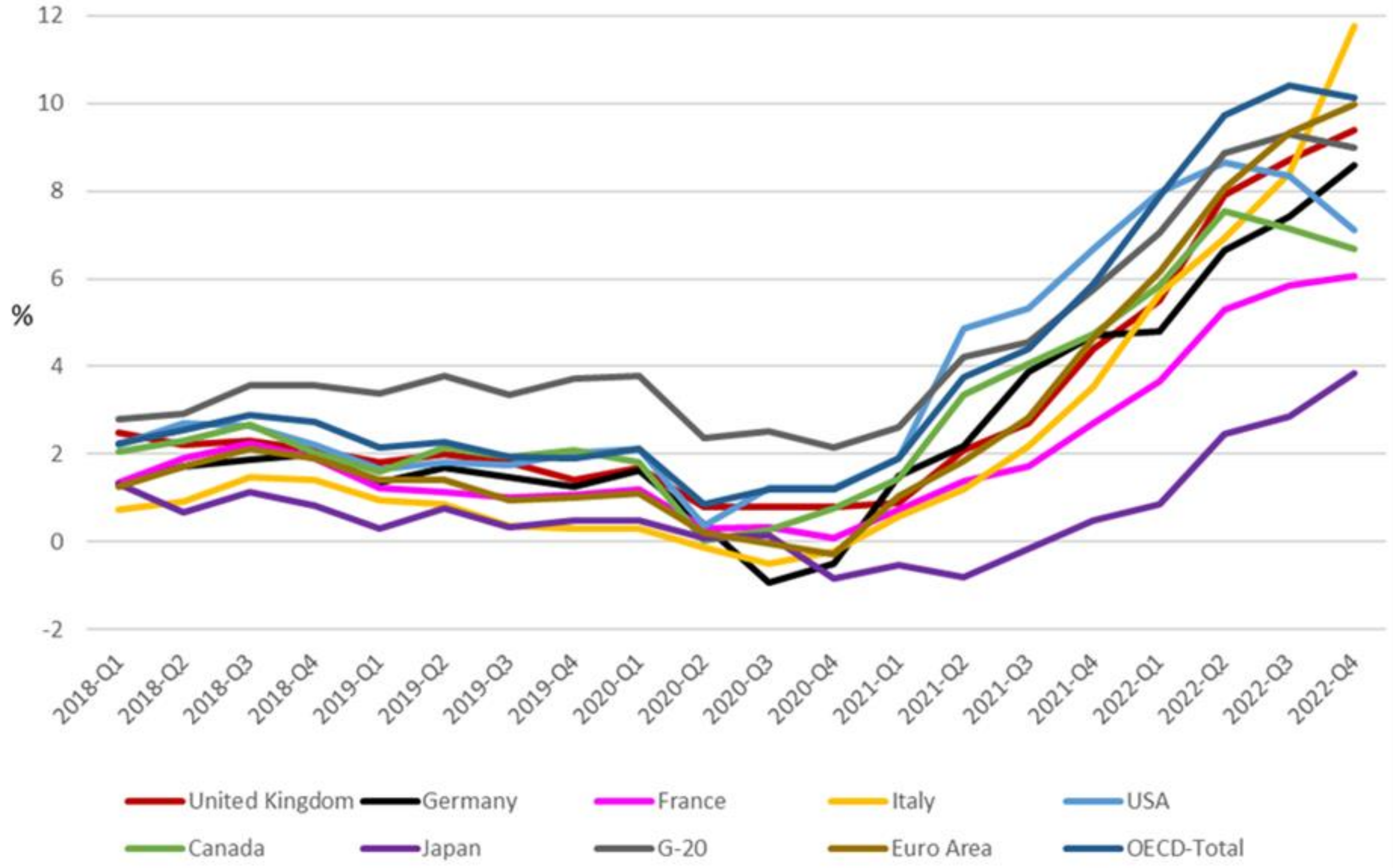
Dr Kostas Kollydas, WMREDI

Inflation Growth Rates

The cost of living is influenced by a range of factors, including housing, food, healthcare, transportation costs, taxes, and geographical location. To compare living costs across countries and calculate inflation rates, the Consumer Price Index (CPI) growth rate is often used.

Since the start of 2021, the majority of OECD countries have experienced an upsurge in their total inflation growth rate, which includes food and energy costs, as illustrated in Figure 1. In the UK, the annual inflation growth rate increased significantly by 8.6 percentage points, from 0.8% in the fourth quarter of 2020 to 9.4% in the fourth quarter of 2022, which is in line with the OECD average of 10.1% in Q4 2022. Among major economies, Italy witnessed the most considerable increase in inflation rates (12% by the end of 2022), followed by the Eurozone area (10.3%). Conversely, Japan, which experiences structural issues that manifest in slow GDP and inflation growth, saw a relatively lower increase, followed by Canada and the United States.

Figure 1. Inflation (CPI) annual growth rate (%) in selected countries (Q1 2018 – Q4 2022)



Source: OECD (2023a)

Note: The G20 group comprises Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States. Although the European Union is a full member of G-20, the G-20 aggregate only comprises individual countries that are also members.

Inflation rates began to rise through 2021 as major economies across the world recovered from the shock of the COVID-19 pandemic. However, the unforeseen and continued existence of inflationary pressures in 2022 was largely attributed to the Russian invasion of Ukraine, which led to an abrupt surge in a range of significant commodity prices including crude oil, natural gas, coal, different metals, wheat, corn, certain edible oils, and fertilisers (OECD, 2022). Although the prices for most of these commodities later dropped, partly because of China's decreased demand, internationally traded coal and gas prices continued to remain high throughout 2022.

As in the UK, increasing energy prices have been the largest driver of the high inflation seen in other European countries. The impact of the war in Ukraine on wholesale gas and electricity prices is a common factor across the continent, but the extent to which this has been felt by consumers varies across different countries due to different patterns of resource dependency and use, different energy market conditions, and different effects of national government regulations and policies to support households (Menyhért, 2022). Notably, the annual growth rate in consumer energy prices (as of February 2023) has been markedly higher in the UK at 48.3% than in other large European economies, such as Italy (28.2%), Germany (20.0%), and France (14.0%). For the combined 27 member states that now make up the European Union, the corresponding figure is also considerably lower than the UK at 16.6% (OECD, 2023a). The reasons for this in the UK include a high dependence on gas to heat homes and generate electricity, and a large proportion of the housing stock with poor insulation and energy efficiency.

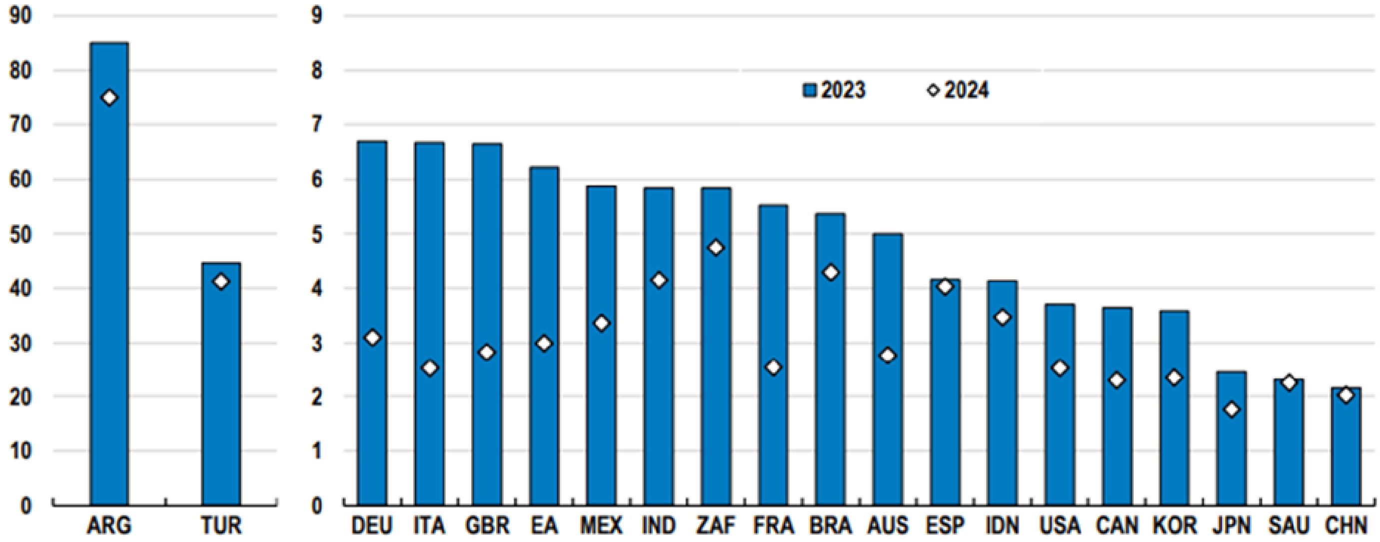
The OECD's (2023b) Economic Outlook interim report highlights an upswing in the economic activity and consumer confidence in the major G20 economies at the start of 2023. This improvement is attributed to the drop in global food and energy costs, which has led to an increase in purchasing power and a projected decrease in headline inflation. Moreover, the global economy has been positively impacted by the reopening of China's economy. The dip in energy prices is in part due to the moderate winter temperatures observed in Europe, leading to stabilisation in gas storage levels and curtailed energy consumption in several countries. However, the cost of energy and food is still higher than pre-pandemic levels, putting a financial strain on many low-income households. According to the above report, even though food and fertiliser prices have declined since their peak in 2022, food and energy security remain fragile, particularly for emerging economies and households with low incomes.

In addition, the headline CPI rate and the core inflation rate (the latter excludes food and energy) are still exceeding the goals of the central banks, although the headline inflation is gradually decreasing in most economies, mainly due to the reduction in food and energy prices. Inflation levels continue to vary significantly among different countries, with certain Asian economies such as China and Japan still experiencing relatively low inflation rates, while Turkey and Argentina are witnessing a surge in inflation.

The most recent inflation figures available at the time of writing show that the UK experienced an unexpected rise in the overall rate from 8.8% in January 2023 to 9.2% in February 2023. This meant that the UK had the highest inflation of the G7 advanced economies in February (as Italy fell from 10.0% to 9.1% and Germany remained at 8.7%). For the UK, the persistence of these inflationary pressures in early 2023 is attributable to the very high energy costs discussed above, but also to still rising food prices (to an annual growth rate of 18.2% in February) (OECD, 2023c). The factors behind this food cost inflation are multifaceted, including the disruption to supplies of staple commodities related to the Russian invasion of Ukraine. However, recent analysis also points towards the trade barriers introduced by the UK leaving the European Union Single Market and Customs Union in January 2021 having contributed to increasing food prices in the UK over the past two years (Bakker ***et al.***, 2022).

Due to the deceleration of worldwide economic growth, the reduction in food and energy price inflation, and the monetary constriction enforced by many central banks, inflation is anticipated to decrease across almost all G20 economies in 2023 and 2024 (Figure 2). Nonetheless, even with this projected decline, annual inflation rates are predicted to remain significantly above the target in most economies throughout 2024 (OECD, 2023b).

Figure 2. Inflation projections in the G20 countries (2023-2024)



Source: Figure taken from OECD (2023b)

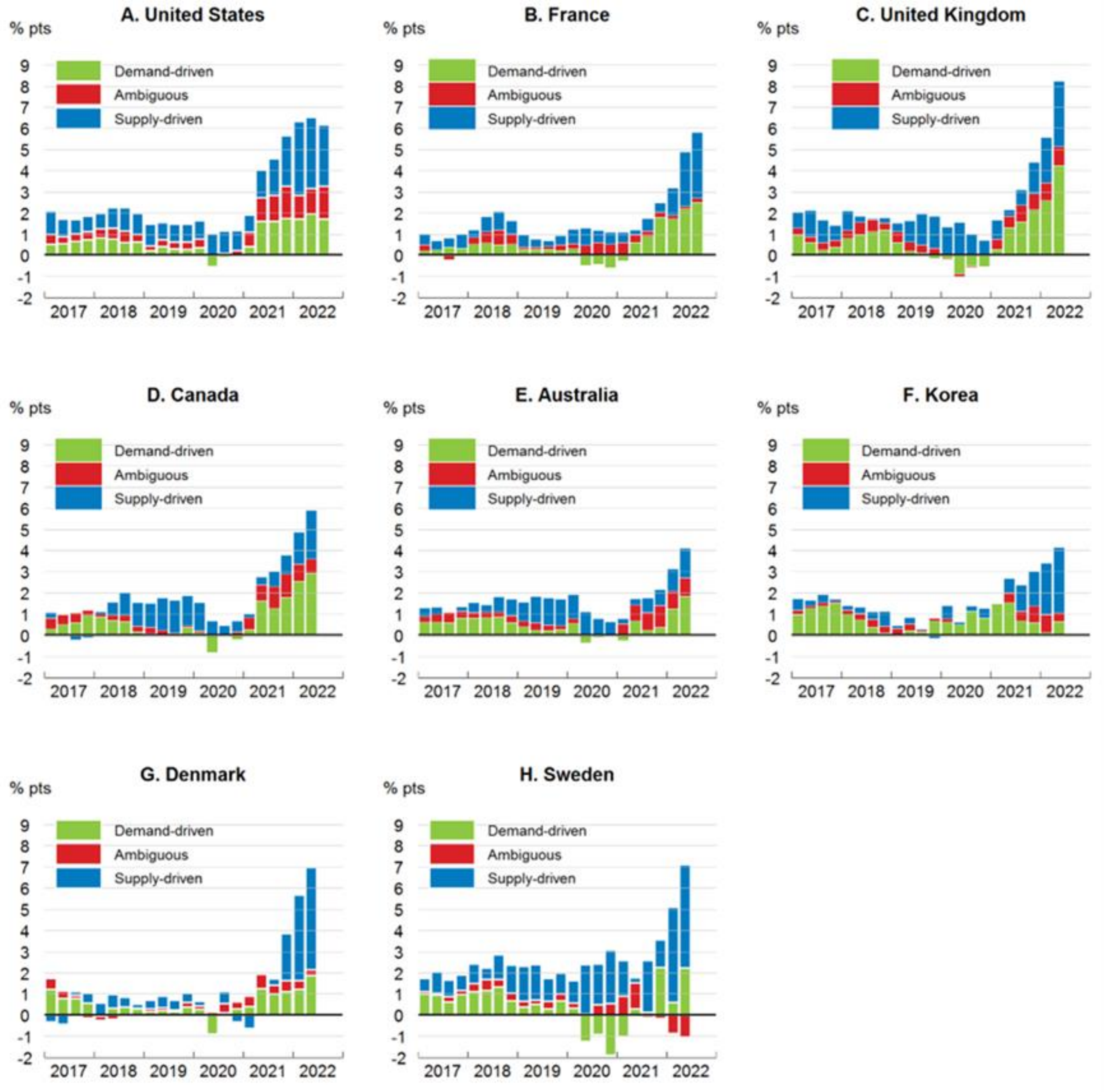
Note: ARG: Argentina, TUR: Turkey, DEU: Germany, ITA: Italy, GBR: United Kingdom, EA: Euro area, MEX: Mexico, IND: India, ZAF: South Africa, FRA: France, BRA: Brazil, AUS: Australia, ESP: Spain, IDN: Indonesia, USA: United States, CAN: Canada, KOR: Korea, JPN: Japan, SAU: Saudi Arabia, CHN: China

Disentangling the effects of supply and demand on inflation rates across countries

Inflation caused by demand occurs when the demand for products and services in an economy increases faster than the country's production capacity. Because of the surplus demand, prices for products and services rise. Typically, this sort of inflation happens during periods of economic expansion, low unemployment, and wage increases. Conversely, supply-driven inflation occurs when the supply of goods and services in an economy is restrained, but demand remains constant or rises. For example, this can be caused by natural disasters, wars, trade restrictions, and supply chain interruptions. When the supply of goods and services is constrained, prices rise due to the scarcity of those goods and services. In brief, demand-driven inflation is generated by an excess of demand, whereas supply-driven inflation is caused by supply restrictions.

Figure 3 demonstrates the contribution of supply and demand-related factors to headline inflation in selected countries based on personal/household consumption expenditure data (OECD, 2022). This approach is based on the assumption that demand pressures occur when the price and volume of an item move in the same direction, whereas supply shocks occur when they move in opposite directions (e.g., a decrease in volume but an increase in prices indicates lower supply). When it is not possible to determine whether changes in prices are due to demand- or supply-driven factors, a third category called "ambiguous" is used. The results show that inflation in all these countries has been influenced by both supply and demand determinants since mid-2020. The share of inflation that is attributed to demand-driven factors in Q2 of 2022 varies from 16% in South Korea to around 50% in the United Kingdom and Canada. On average, supply-driven inflation represents approximately half of total inflation in the eight economies depicted, although it is much higher than 50% in Denmark, Korea, and Sweden.

Figure 3: Contributions of supply-and demand-driven inflation to headline inflation in selected countries (January 2017 – April/July 2022)



Source: Figure taken from OECD (2022)

Cost-of-living indices: An International Comparison

According to Numbeo's database, the UK is ranked 33rd among 140 countries in 2023 in terms of the cost-of-living index (excluding rent). This means that the UK is positioned lower than most G7 nations, except Italy (see Table 1 and Figures 4-5). However, when factoring in housing expenses, the overall cost of living in the UK increases, ranking it 20th globally. It is noteworthy that the UK's rank in the overall cost of living index was relatively better before the pandemic and inflation expansion of the past two years, with a rank of 31st in mid-2019.

Regarding grocery prices, the UK has a lower grocery index (47.7 in 2023) compared to many other countries, including the United States, Japan, Canada, France, Italy, and Germany. On the other hand, restaurant prices in the UK (with an index of 67.9) are relatively high compared to other G7 nations, surpassed only by the United States. Despite this, the UK has a relatively strong local purchasing power with a ranking of 14th in the world and an index of 98.9, which is higher than France and Italy but lower than the United States, Germany, Canada, and Japan. In summary, despite the fact that the UK's cost of living is higher than many countries, it is still competitive when compared to the other G7 nations.

Table 1: Ranking of cost –of living index across countries (2023)

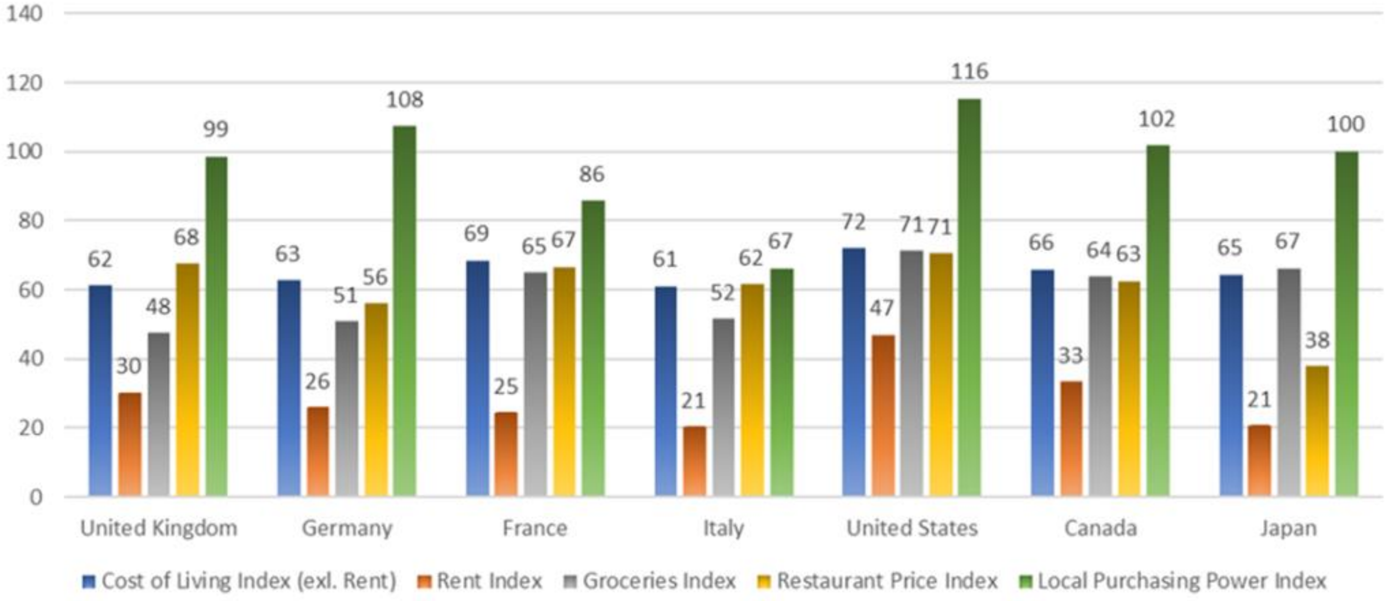
Rank	Country	Cost of Living Index (excl. Rent)	Rent Index	Cost of Living Plus Rent Index	Groceries Index	Restaurant Price Index	Local Purchasing Power Index
1	Bermuda	141.8	96.3	120.0	143.3	142.0	79.5
2	Switzerland	114.2	50.2	83.5	113.9	109.5	118.7
3	Cayman Islands	103.4	75.7	90.1	96.4	92.4	76.7
4	Bahamas	90.9	39.6	66.3	74.1	94.8	43.2
5	Barbados	88.8	21.2	56.4	80.1	82.7	36.8
6	Norway	88.6	30.9	60.9	81.8	90.6	95.0
7	Singapore	85.9	85.3	85.6	74.0	58.4	95.6
8	Iceland	83.3	36.7	61.0	78.3	86.9	90.1
9	Jersey	80.0	53.9	67.4	62.4	90.8	72.6
10	Denmark	78.6	30.4	55.5	62.4	91.9	105.0
(Countries 11-15 not shown)							
16	United States	72.4	47.1	60.3	71.4	70.8	115.7
(Countries 17-20 not shown)							
21	France	68.7	24.6	47.5	65.1	66.9	86.2
(Countries 22-24 not shown)							
25	Canada	66.1	33.4	50.4	64.2	62.8	102.1
(Countries 26-28 not shown)							
29	Japan	64.6	20.8	43.6	66.5	37.9	100.4
30	Germany	62.9	26.1	45.3	50.9	56.2	107.6
(Countries 31-32 not shown)							
33	United Kingdom	61.5	30.3	46.6	47.7	67.9	98.9
(Country 34 not shown)							
35	Italy	61.3	20.5	41.7	51.9	61.9	66.5
(Countries 36-135 not shown)							
136	Libya	24.2	5.2	15.1	23.1	19.3	32.1
137	Colombia	23.1	7.0	15.4	21.0	17.3	31.1
138	India	22.4	5.5	14.3	23.3	15.7	64.6
139	Egypt	21.6	4.3	13.3	19.6	18.0	21.9
140	Pakistan	18.0	3.4	11.0	15.4	13.7	24.4
140	Pakistan	18.0	3.4	11.0	15.4	13.7	24.4

The indices shown in the Table are relative to New York City (NYC), with each index set at 100 for NYC. For instance, if a country has a rent index of 30, it implies that rents in that country are on 70% cheaper on average than in NYC. These indices represent a snapshot of the current indices at a specific point in time in 2023. Country rankings in the Table are based on the cost of living index (excl. rent).Cost of Living Index (Excl. Rent) is a relative indicator of consumer goods prices, such as groceries, restaurants, transportation, and utilities, excluding rent or mortgage expenses. Rent Index estimates the cost of renting apartments in a given country compared to NYC. Cost of Living Plus Rent Index estimates consumer goods prices including rent compared to NYC. Groceries Index estimates grocery prices in a given country compared to NYC. Restaurants Index is a comparison of prices of meals and drinks in restaurants and bars compared to NYC. Local Purchasing Power demonstrates the relative purchasing power in buying goods and services in a given country. For example, if the domestic purchasing power is 86, it implies that people in that country with an average salary can afford to buy 14% fewer goods and services than NYC residents with an average salary.

Source: Numbeo (2023)

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

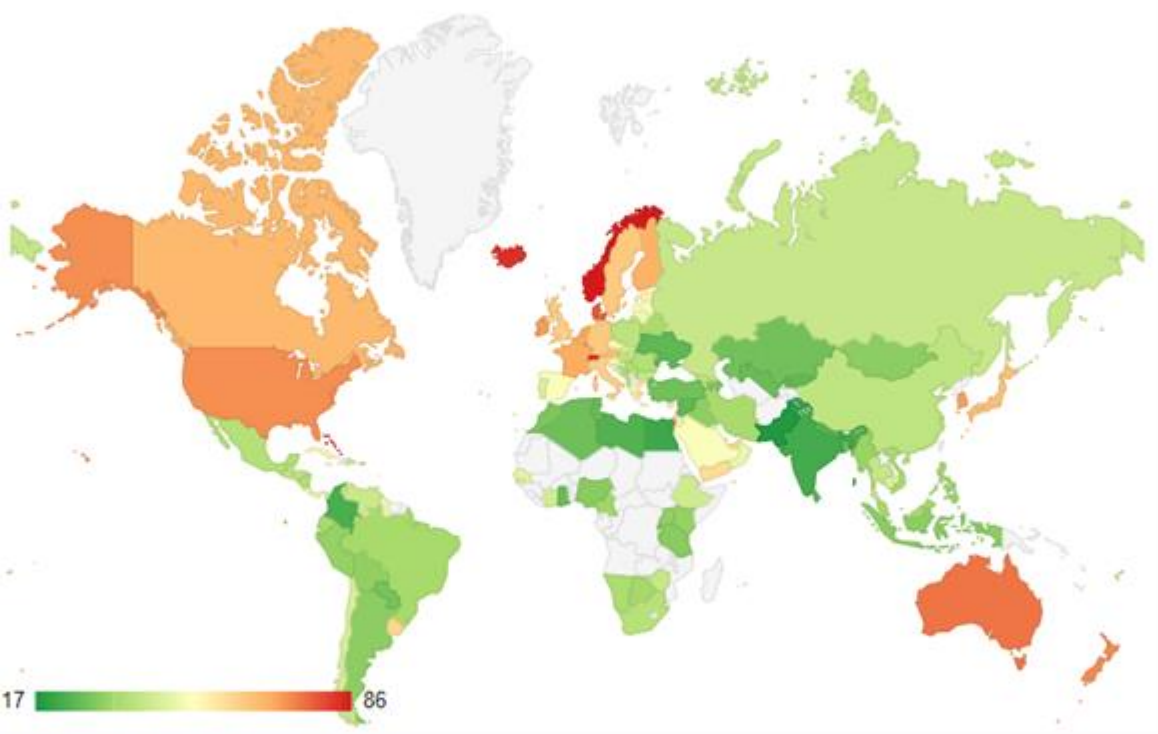
Figure 4: Cost of living index (excl. rent) in the G7 countries (2023)



Source: Numbeo (2023)

Note: For detailed information about the indices, see the note in Table 1.

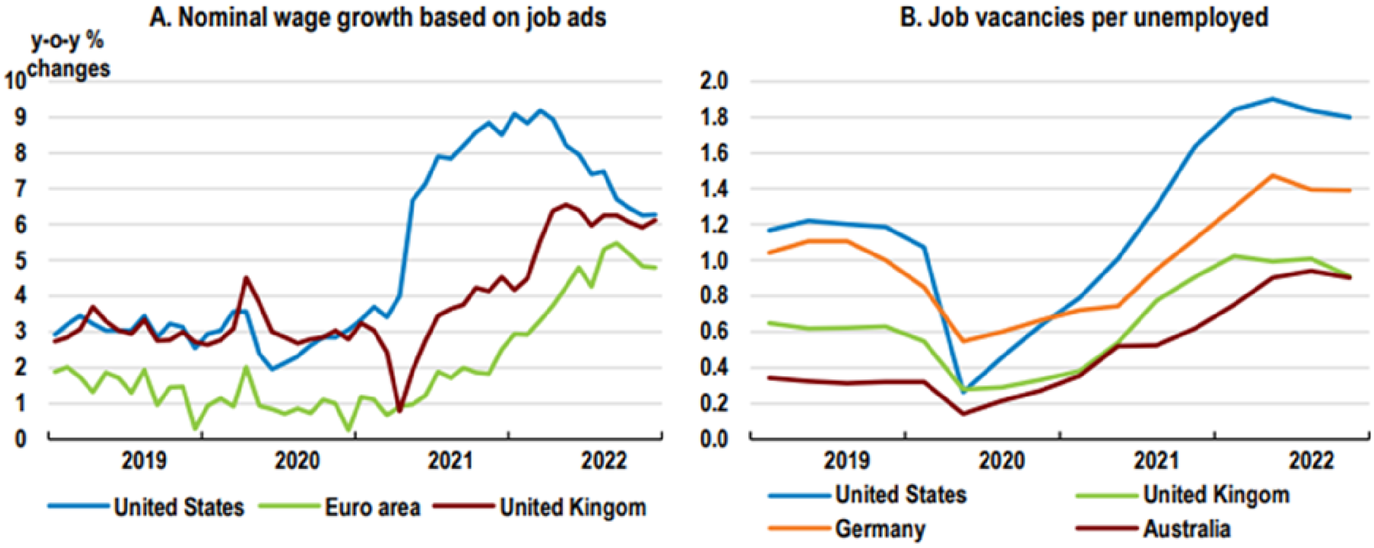
Figure 5: Cost –of living index (excl. rent) (2023)



Nominal Wages, job vacancies and real wages

The current economic landscape in most major countries is characterised by low unemployment rates and high vacancy rates. This, coupled with a prolonged period of high inflation discussed earlier, has resulted in an escalation in nominal wage growth, as shown in Figure 6. Nevertheless, certain economies (such as the United States) are experiencing a significant slowdown in the pace of wage increases, or in some cases a decline.

Figure 6: Wage growth and job vacancies per unemployed people in selected countries



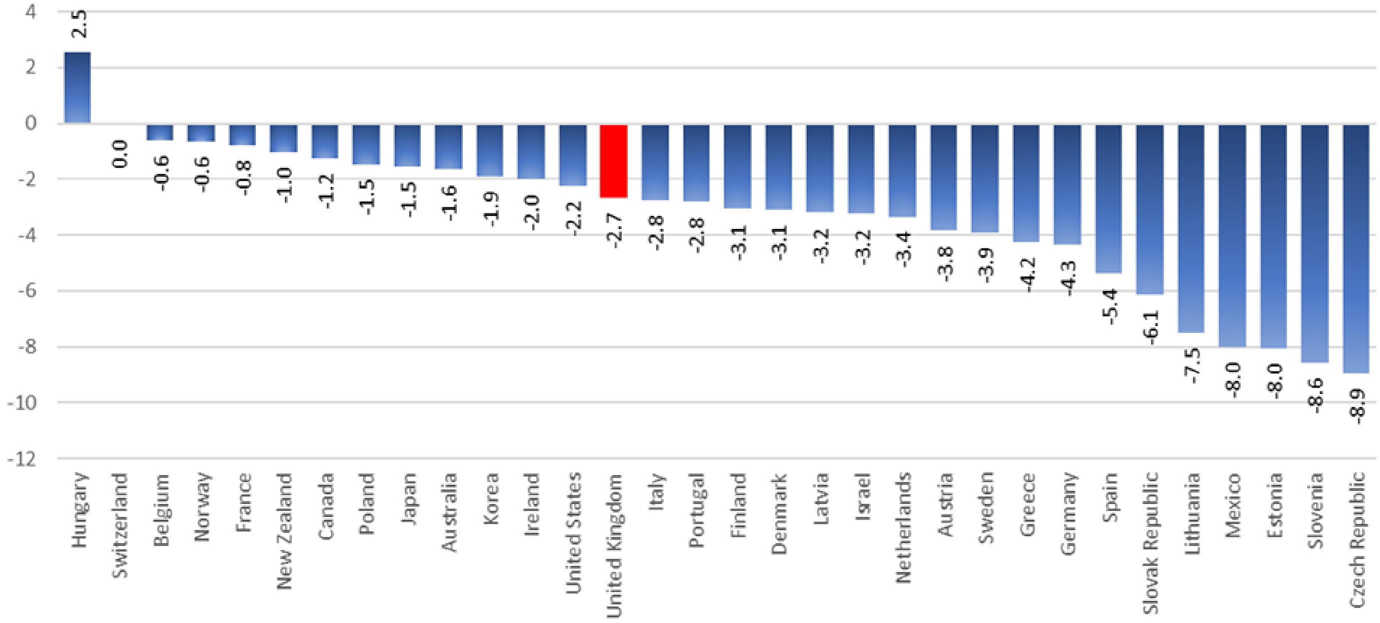
Source: Figure taken from OECD (2023b). Note: Panel A shows the average annual increase or decrease in wages and salaries advertised in job listings on Indeed, accounting for job titles. Panel B shows the ratio of job openings that remain unfilled to the total number of individuals aged 15 and above who are unemployed.

Note: Panel A shows the average annual increase or decrease in wages and salaries advertised in job listings on Indeed, accounting for job titles.

Panel B shows the ratio of job openings that remain unfilled to the total number of individuals aged 15 and above who are unemployed.

In spite of the labour market tightness and increasing nominal wages, most countries have witnessed a notable decline in real wages (which accounts for inflation), indicating a general decrease in the purchasing power of their workforce. Specifically, the annual reduction in real wages in the third quarter of 2022 was 2.7% in the UK, albeit it was lower than the average of 32 OECD countries with available data (3.3%). The UK government's energy plan encompasses a cap on household energy bills and other forms of assistance for businesses, thereby supporting them with energy price increases. This is particularly critical for lower-income families, as their energy expenses usually comprise a larger portion of total expenditures relative to high-income families. The structure of household expenditure across different income groups does vary from country to country. However, analysis at the EU level has shown that, in most member states, the impact of inflation on energy and food prices has also disproportionately affected families with lower incomes (Menyhért, 2022; Vidal and Villani, 2022). Correspondingly, national governments across Europe have also (like the UK) introduced special measures to financially protect their citizens from the rapid rise in energy costs (see Sgaravatti ***et al.*** 2023).

Figure 7: Year-over-year changes (%) in real wages per employee in selected countries (Q3 2022)



Source: OECD (2022)

How To Unlock Green and Place-Based Public Investment With the Help of HM Treasury's Green Book and Systems Thinking in Economics

Professor Andrew Brown, Y-PERN Academic Director, UPEN Co-Chair and iCASP GBI Business case project lead

Professor Andrew Brown discusses the Green Book Review, how benefit-cost ratios continue to dominate appraisals, and how systems thinking in economics can act as an aid to implementing the Green Book Review.

How should government ensure the 'value for money' of the public purse?

Recently Bec Riley and I ran a workshop on this question at the wonderful 'Exploring Economics' conference attended by nearly 400 civil servants. We discussed how valuation practices across local, regional, and national governments are deficient – and how strategically vital green and place-based investments are being held back as a result.

Exhibit A of our evidence was a perhaps unlikely source: HM Treasury's (HMT) comprehensive Nov 2020 Review and refresh of its UK 'value for money' guidance, called the Green Book. The good news is that HMT provides a profound basis on which to change current practices for the better. The bad news is that HMT's guidance (in principle binding on all who spend public money) is being fundamentally misinterpreted. In this blog, I will introduce systems thinking in economics as an aid to implementing HMT's Green Book Review and our proposed way forward.

The HMT 2020 Green Book Review and refresh

HMT's Review is hard-hitting. It says that appraisal of value for money at local, regional and national levels is too focused on measurable monetary quantities. A culture of appraisal has arisen whereby the 'be all and end all' is the highest measurable monetary benefit in relation to measurable monetary cost, i.e. the highest 'benefit-cost ratio.' (BCR) As a result 'black box' models, torn from strategic context, are being commissioned to churn out spuriously precise and inflated BCRs.

HMT's Review recommends that current practices be rebalanced to reflect ***strategic*** policy goals. The HMT guidelines ***start*** with strategy (the 'strategic case.') If a proposed intervention does not deliver on strategic objectives then it is **not an option**. Strategic objectives must retain priority in subsequent stages of appraisal. So, in the 'economic case,' where a BCR is calculated, the **best value for money option may have a low BCR** if its strategic benefits cannot be monetised.

But appraisal practices have been slow to change

City-REDI's review reveals that appraisal practices continue to fetishise the BCR, overlooking strategic considerations. This finding is deeply worrying because it means that vital strategic investments are being held back due to HMT guidelines not being followed. At iCASP and Y-PERN we have focused on the role that economics (another perhaps unlikely source of help) can play in improving appraisal practices. Let me share our key insights, starting with the economics behind the BCR.

The role of economics

According to economic theory, the calculation of a BCR is meaningful when appraising interventions that impact one or a few related markets, not the whole economy. This restricted scale ensures a direct relation between the calculated BCR of an intervention and its impact on 'utility' or 'social welfare.' **(See end note 1)**

The direct relation of a BCR to social welfare is what motivates cost-benefit analysis. Given this direct relation, it makes good sense to, for example (1) monetise impacts for which there are no market prices, such as travel time savings or pollution; (2) monetise wider impacts outside the market of focus.

However, where interventions feature complex interconnections across many markets, cost-benefit analysis is inapplicable. HMT's Review gives an example of the policy goal of net-zero UK emissions. This goal requires strategically coordinated intervention across the economy and society. **(See end note 2)** To value such ‘transformational’ change, a single BCR metric, if it could be calculated at all, would be meaningless because it would not measure utility or social welfare. The same holds for other transformational goals such as ‘levelling up’ the UK.

Accordingly, HMT’s Review says that analysis of transformational change should **precede** cost-benefit analysis. It recommends a **robust, mixed-methods and interdisciplinary process of evidence review, stakeholder engagement and deliberation**, incorporating strategic assessment of transformational change, **prior to BCR calculation.**

How, in this process, is transformational change to be valued?

Working with HMT and many other stakeholders and academic disciplines, economists have contributed a systems approach to value transformational change. **(see End note 3)**

Consider the following insights.

Insights from systems thinking in economics

Firstly, **processes of creating and capturing value** drive transformational change. Stakeholders are typically inserted at various points of such a process, for example, initial financing, sourcing raw materials, hiring inputs, producing (through many stages), distributing, selling, consuming, disposing / recycling, long-term funding and reinvesting. A group exercise mapping relevant value flows may therefore be helpful in stakeholder engagement, explaining chains of cause and effect in the system.

Secondly, **value is multidimensional** (in line with the finding above that money cannot be the sole measure of value when assessing transformational change.) For example, environmental and social value are dimensions of value alongside monetary value. **(See end note 4)** Systems thinking in economics thus supports the use of multidimensional indices and dashboards.

For this approach, items have both ‘exchange-value’ (measured by money) and ‘use-value’ (usefulness). In this view, meeting needs, and so the measurement of use-value, cannot be uniquely reduced to a one-dimensional metric such as money or subjective utility. This argument reflects a switch away from a utilitarian to a ‘eudemonic’ philosophy of value and wellbeing.

Thirdly, value creation and capture are not just economic but also **political**. We must ask: **Who creates value? For whom? Who pays?** For example, one interdisciplinary application of economics found that Local Authorities pay disproportionately for plastic packaging waste management, supporting DEFRAs introduction of Extended Producer Responsibility.

Fourthly, there is a **mutual influence between the material and social aspects of provisioning**. For example, material provision of better cycle lanes may increase cultural preferences for cycling, which, in turn, may stimulate cycle lane provision.

Fifthly, and synthesising the above points, there are distinct **systems of provision** of each kind of good or service, each requiring bespoke analysis (so waste, transport, housing, etc. each have unique qualities). Yet, these systems are also interrelated. For example, there are interdependencies between built infrastructure systems, such as energy and transport; between natural and built systems; and within natural systems. The economy in this sense is a **system of systems**.

Sixthly, HMT’s Review recognises **decision-making under deep uncertainty** (not quantifiable risk) as an element of transformational change. Deep uncertainty is addressed by systems thinking in economics, underpinning an adaptive approach to appraisal.

The case for green and blue infrastructure

What does all this mean in practice? Take the example of ‘green and blue infrastructure’ (GBI) which includes ‘grey to green’ schemes and nature-based solutions of all kinds.

GBI has multiple environmental, health and cultural benefits, and is integral to the Government’s transformational net-zero strategy. Yet, iCASP found that the available tools of quantification and monetary valuation of GBI benefits are in their relative infancy. Tools and procedures for valuation of travel time savings are much more thoroughly tested and standardised than those for GBI.

Undue emphasis on the BCR therefore results in GBI losing out to interventions with more readily and reliably monetised benefits. The example of GBI thereby underlines the urgency of HMT's Review recommendation that:

Strategic benefits, (e.g. of GBI) thoroughly evidenced and argued for in the strategic case, *must continue to be prioritised in the economic case even if they cannot be reliably captured in a BCR*.

Conclusion and next steps: join our workshop programme!

It is well over two years since the HMT's Green Book Review. Appraisal practices have been slow to change. Clearly, training and resourcing of Green Book practitioners is needed and indeed much has been done already in this regard, initiated by HMT's Review.

We believe Universities also have a key role to play. The Green Book is exemplary in how it builds upon an academically rigorous evidence base. Universities are anchor institutions with huge expertise and convening power to support the requisite change in appraisal practices.

The workshop held at the Exploring Economics conference will therefore initiate a series of future workshops across the UK.

Supported by HMT's 'Green Book User Group,' these future regional and national workshops will be designed to help practitioners build an appraisal system that can unlock green and place-based investment across the UK. We look forward to seeing you there!

End notes

1. In the jargon, (please skip if you prefer!) cost-benefit analysis is a 'partial equilibrium' analysis focusing on 'marginal' change. One reason (amongst many) why non-marginal change destabilises the link between the BCR and utility is the 'diminishing marginal utility of income': successive increases in my income (e.g. through growth impacts of a public investment programme) will, after a threshold point is reached, lower the utility I attach to additional income.
2. In Green Book terms coordination requires that an individual 'project' fit within the 'programme' of which it is part; and an individual programme within a wider 'strategic portfolio.'
3. One strand originates with the iBUILD project on infrastructure business models – see HMT's Valuing Infrastructure Spend and academic research referenced therein, e.g. Brown and Robertson (eds) (2014).
4. (Warning: more jargon!): For this approach, items have both 'exchange-value' (measured by money) ***and*** 'use-value' (usefulness). In this view, meeting needs, and so the measurement of use-value, cannot be uniquely reduced to a one-dimensional metric such as money or subjective utility. This argument reflects a switch away from a utilitarian to a 'eudemonic' philosophy of value and wellbeing.

The Impact of University STEM Assets – A Systematic Review of the Empirical Evidence

Dr Chloe Billing, WMREDI

This literature review from the West Midlands Regional Development Institute (WMREDI), looks at the effect of university Science, Technology, Engineering and Mathematics (STEM) assets on regional economies and innovation ecosystems.

Innovation is good for growth and significant for regional development. The innovation process consists of multiple interlinked steps – innovative products and processes must make their way out of the research lab into businesses and the market before they can create jobs and output in the local economy. While this might seem obvious, this is an aspect where the UK economy is struggling. While the UK is great at basic research – think world-class research universities such as Oxford and Cambridge – too rarely does this translate into new improved products and services for local businesses.

Innovation intermediaries are organisations tasked with helping to solve exactly this issue. A strand of work at WMREDI inspects them more closely.

University-based STEM assets

A recent systematic literature review published in PLOS One by Chloe Billing, George Bramley, Carolin Ioramashvili, Robert Lynam and co-authors has gathered evidence on the impact of a specific type of intermediary – what we call 'university-based STEM assets'.

A STEM asset is 'a physical facility dedicated largely to the translation, development and transfer of scientific, technological or engineering innovation and knowledge and expertise which relates to new or improved business processes, products or services'. Examples in the West Midlands include the Warwick Manufacturing Group, the Manufacturing Technology Centre, Tysley Energy Park and STEAMHouse.

Visit our project page – Universities' STEM Assets: Commercial & Non-Commercial Pathways & Aggregate Impacts

Starting from a list of 1,541 academic publications on the topic, 34 studies were identified that fulfilled the study criteria of relating to a case study in an OECD country and relating to a STEM asset and its impact at the local, regional or national scale. The most common type of STEM assets covered were incubators. These often worked with academics and students to host spinouts, but some were also open to external entrepreneurs to facilitate contact with academics or to provide access to other university resources.

The economic impacts of STEM assets

Regarding the economic impacts of STEM assets, the review identified three main themes. First, the role of STEM assets in supporting young businesses. This is reflected in the impact measures analysed, e.g. the number of businesses that obtained follow-on funding or survival rates. This raises the question of whether STEM assets engage less with more established businesses, or whether research unduly focuses on start-ups.

Second, STEM assets tend to work very closely with the universities that host them. While some of the case studies found friction between academic and business cultures, the engagement appears to be valuable to both sides. In particular, the mediating role of universities between different actors was cited as an important factor, in addition to material inputs such as facilities and support services.

Third, while impacts are studied at local, regional and even the national level, wider impacts that go beyond the individual business, institutional or local level are rarely considered. While wider effects, such as spillovers may take a long time to materialise, most studies focus on the short to medium-term. This points to an important gap in the literature.

View the article – The impact of university STEM assets: A systematic review of the empirical evidence

Labour Market Statistics, Claimant Count and Qualification Profile: Released August 2023

The Economic Intelligence Unit

UK Summary[1]

- For the UK, early estimates for July 2023 indicate that there were 30.2m payrolled employees, an increase of 1.9% (+578,000 employees) compared with the same period of the previous year, as notably, there was an increase of 15,000 payrolled employees aged under 25 years and payrolled employees aged 35 to 49 years increased by 196,000. The number of payrolled employees was also up when compared to February 2020, by 4.2% (+1,211,000). The latest monthly change indicates that payrolled employment increased by 0.3% (+97,000 employees) 2.
- In April to June 2023, reports of UK-wide redundancies in the three months prior to interview[3] increased by 0.9 per thousand employees, compared with the previous quarter, to 3.8 per thousand employees. The UK redundancy rate is similar to pre-coronavirus pandemic levels.
- Estimates for April to June 2023 show decreases in the UK employment and economic inactivity rates compared with the previous quarter (Jan to Mar 2023), while the unemployment rate increased. Flows estimates show that, between January to March 2023 and April to June 2023, there was a large net movement from economic inactivity into unemployment.
    - The UK employment rate was estimated at 75.7% in April to June 2023, 0.1 percentage points (pp) lower than January to March 2023. The quarterly decrease in employment was driven by full-time employees and self-employed workers. When compared to before the coronavirus pandemic, the UK employment rate was 0.8pp lower.
    - The unemployment rate for April to June 2023 increased by 0.3pp on the quarter to 4.2%. The increase in unemployment was driven by people unemployed for up to 6 months. When compared to before the coronavirus pandemic, the UK unemployment rate was 0.2pp higher.
    - The economic inactivity rate decreased by 0.1pp on the quarter, to 20.9% in April to June 2023. The decrease in economic inactivity during the latest quarter was largely driven by those inactive because they are looking after family or home. Meanwhile, those inactive because of long-term sickness increased to a record high. When compared to before the coronavirus pandemic, the UK economic activity rate was 0.7pp higher.
- Total hours worked decreased in the latest quarter (-5.6m) and are below pre-coronavirus pandemic levels (-5.8m).
- For the UK, the number of job vacancies in May to July 2023 was 1,020,000; this was a decrease of 6.0% (-66,000) from the previous quarter – the 13th consecutive quarterly fall as vacancies fell in 13 of the 18 industry categories. In May to July 2023, total vacancies were down by 256,000 from the level of a year ago, although they remained 219,000 above their pre-coronavirus levels.
- For the UK, annual growth in regular pay (excluding bonuses) was 7.8% in April to June 2023, the highest regular annual growth rate we have seen since comparable records began in 2001. Annual growth in employees' average total pay (including bonuses) was 8.2%; this total growth rate is affected by the NHS one-off bonus payments made in June 2023. In real terms (adjusted for inflation using CPIH), annual growth for total and regular pay rose on the year, by 0.5% for total pay, and by 0.1% for regular pay.
- Early estimates for July 2023 indicate that UK median monthly pay was £2,274 and increased by 7.8% when compared to July 2022.
- Across the UK, there were 160,000 working days lost because of labour disputes in June 2023, with over half the days lost in the health and social work sector.

Regional Labour Market Summary

- For the three months ending June 2023, the West Midlands Region employment rate (aged 16 – 64 years) was 75.1%. Since the three months ending March 2023, the employment rate increased by 0.9 percentage points (pp) and increased 0.2pp from the previous year. The UK employment rate was 75.7%, a decrease of 0.1pp when compared to the previous quarter but an increase of 0.2pp when compared to the previous year.

[1] Source: Office for National Statistics (ONS), Labour Market Overview; UK: August 2023
[2] Figures should be treated as a provisional estimates and are likely to be revised when ONS receive more data next month.
[3] 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.

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

- For the three months ending in June 2023, the West Midlands Region unemployment rate (aged 16 years and over) was 5.2% (highest of all regions) and increased by 0.1pp since the previous quarter and an increase of 0.5pp from the previous year. The UK unemployment rate was 4.2%, an increase of 0.3pp from the previous quarter and an increase of 0.4pp from the previous year.
- For the three months ending June 2023, the West Midlands Region economic inactivity rate (aged 16 – 64 years) was 20.7%, a decrease of 1.2pp from previous quarter and a decrease of 0.6pp when compared to the previous year. The UK economic inactivity rate was 20.9%, a decrease of 0.1pp from the previous quarter and a decrease of 0.6pp from the previous year.

WMCA Labour Market Summary

- In the year ending March 2023, the economic activity rate in the WMCA area was 73.5%, compared to 78.3% UK-wide. The economic activity rate for the WMCA area decreased by 1.5pp and for the UK, decreased by 0.1pp when compared to the year ending March 2023.
- In the year ending March 2023, the employment rate in the WMCA area was 68.6%, compared to 75.4% UK-wide. The employment rate for the WMCA area decreased by 1.4pp when compared to the year ending March 2022. In contrast, the UK employment rate increased by 0.3pp.
- In the year ending March 2023, the economic inactivity rate in the WMCA area was 26.5%, an increase of 1.5pp from the year ending March 2022. Over the same period the UK increased by 0.1pp to 21.7%.
- In the year ending March 2023, the modelled unemployment rate in the WMCA area was 6.6%, compared to 3.7% for England-wide. The modelled unemployment rate for the WMCA area increased by 0.1pp when compared to the year ending March 2022. England's modelled unemployment rate decreased by 0.5pp.

WMCA Regulated Qualifications Framework (RQF) Profile

- In 2022, in the WMCA area, 37.8% (656,400) of the working age population had RQF4+ qualifications. This was below the UK-wide average of 45.5%.
- In 2022, in the WMCA area, 10.6% (184,000) of the working age population had no qualifications, this was above the UK-wide average of 7.0%.

WMCA Claimant Summary

- There were 126,125 claimants in the WMCA area in July 2023. Since June 2023, there has been an increase of 1.5% (+1,900) claimants in the WMCA area, while the UK increased by 1.8%. When compared to March 2020 (pre-Coronavirus pandemic), claimants have increased by 27.0% (+26,825) in the WMCA area, with the UK increasing by 23.3% 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 July 2023.
- In July 2023, there were 23,315 youth claimants in the WMCA area. Since June 2023, there was an increase of 2.0% (+460) youth claimants in the WMCA area, while the UK increased by 2.2%. When compared to March 2020 (pre-Coronavirus pandemic), youth claimants have increased by 21.7% (+4,160) in the WMCA area, with the UK increasing by 12.9%.
- Overall, for the WMCA area, the number of youth claimants as a percentage of residents aged 18-24 years old was 8.2% compared to 4.9% for the UK in July 2023.

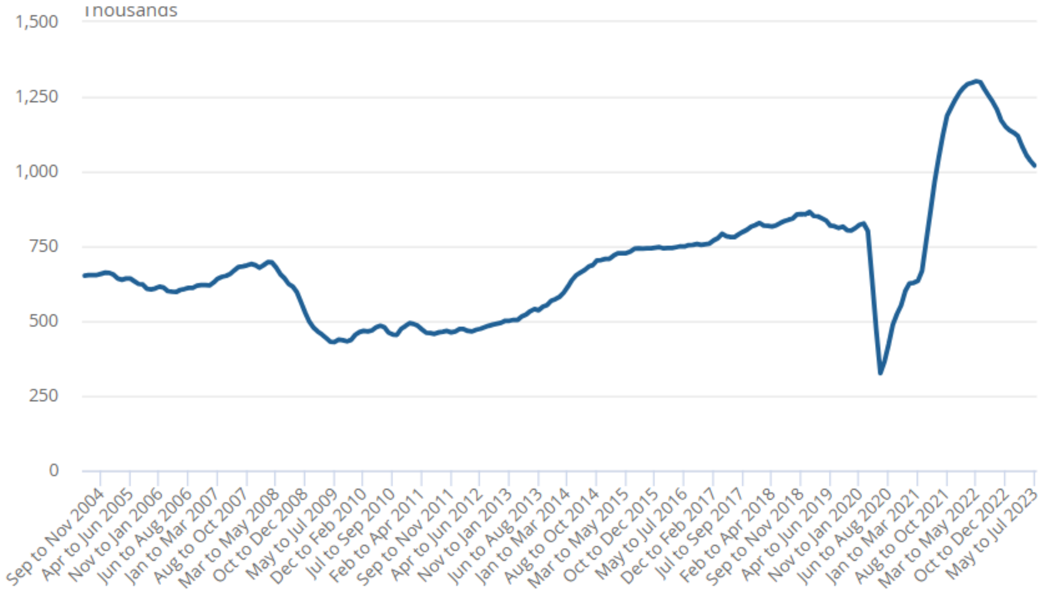
In Depth:

UK Labour Market Stastics – UK Vacancies[4]

- In May to July 2023 the estimated number of vacancies fell by 66,000 on the quarter to 1,020,000, the 13th consecutive period to see a quarterly fall since April to June 2022, and the longest sustained fall in vacancies since January 2008 to June 2009.

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

[4] Source: ONS, Vacancies and Jobs in the UK: August 2023



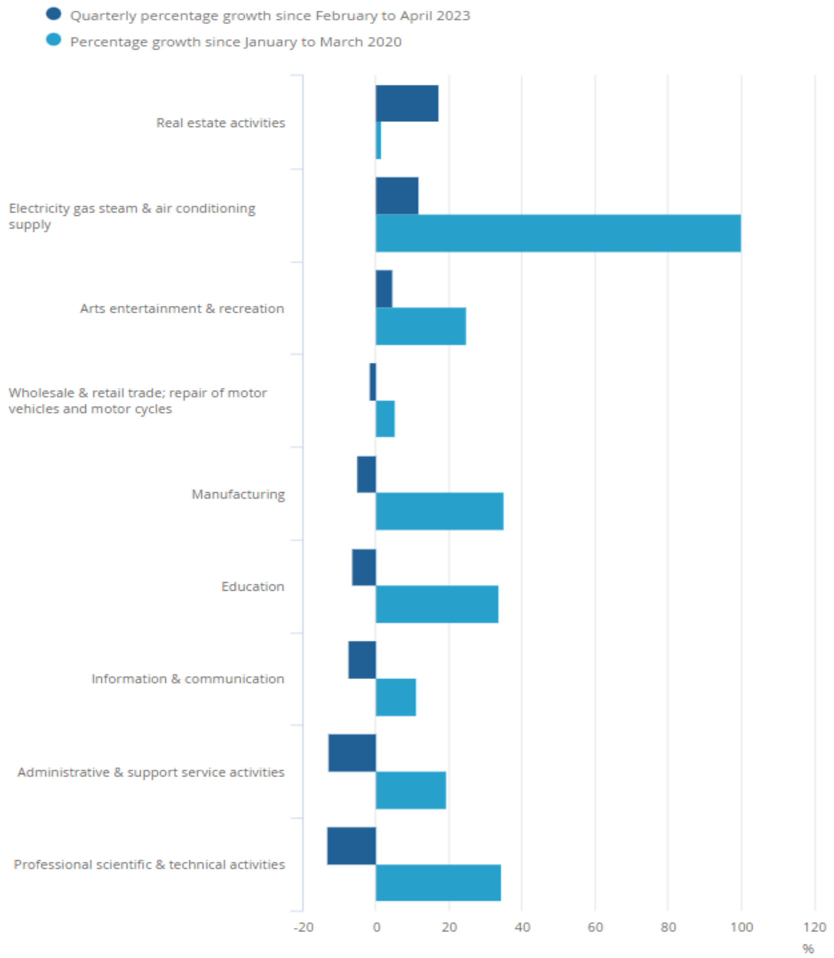
Source: ONS – Vacancy Survey

- In May to July 2023 the number of vacancies fell by 6.0% from the previous quarter, with decreases in 13 of the 18 industry sectors. The industries showing the largest falls were professional, scientific and technical activities and administrative and support service activities which fell by 13.2% and 12.7%, respectively. The sectors showing the strongest growth were real estate activities and electricity, gas, steam and air conditioning supply growing by 17.4% and 11.9% respectively.

- May to July 2023 saw the number of vacancies continue to fall on the quarter, decreasing by 66,000. The industry sectors displaying the largest falls in vacancy numbers were professional, scientific and technical activities and human health and social work activities, down on the quarter by 15,000 and 11,000 respectively. Notably, the combined growth across the five industries where vacancies increased this quarter was only 4,600, with real estate contributing the most with 2,100 vacancies.

- When comparing May to July 2023 with the same time last year, total vacancies decreased by 256,000 (20%). The largest falls were in accommodation and food service activities and professional, scientific and technical activities, which were down by 47,000 and 38,000 respectively. However, despite persistent falls in the number of vacancies over the last year, the total number of vacancies remain 219,000 above January to March 2020 pre-coronavirus levels, with human health and social work activities showing the largest increase, at 46,000.
- In April to June 2023 the number of unemployed people per vacancy was at 1.4, up from 1.2 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. This follows consecutive falls in vacancy numbers and increases in the number of unemployed people.

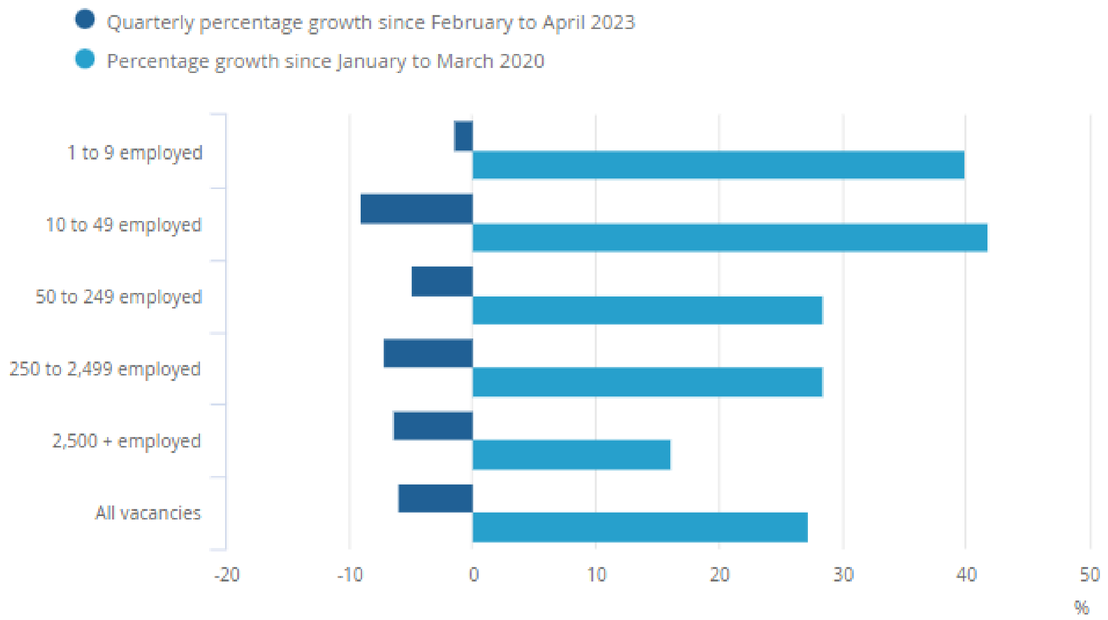
The following chart shows for May to July 2023 three-month average vacancies in the UK, quarterly percentage growth from February to April 2023 and percentage growth from pre-Coronavirus pandemic (January to March 2020):



Source: ONS – Vacancy Survey

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

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



Source: ONS – Vacancy Survey

Regional Labour Market[5]

- For the three months ending June 2023, the West Midlands Region employment rate (aged 16 – 64 years) was 75.1%. Since the three months ending March 2023, the employment rate increased by 0.9 percentage points (pp). When compared to the same period in the previous year, the latest employment rate was 0.2pp higher. The UK employment rate was 75.7%, a decrease of 0.1pp when compared to the previous quarter but an increase of 0.2pp when compared to the previous year. The highest employment rate within the UK for the three months ending June 2023 were in the South East with 79.1% and the lowest in Northern Ireland with 71.4%.

- For the three months ending in June 2023, the West Midlands Region unemployment rate (aged 16 years and over) was 5.2%, which has increased by 0.1pp since the previous quarter and an increase of 0.5pp from the previous year. The UK unemployment rate was 4.2%, an increase of 0.3pp from the previous quarter and 0.4pp higher when compared to the previous year. The highest unemployment rate in the UK for the three months ending June 2023 was in the West Midlands with the lowest unemployment rate in Northern Ireland at 2.7%.

- For the three months ending June 2023, the West Midlands Region economic inactivity rate (aged 16 – 64 years) was 20.7%, a decrease of 1.2pp from previous quarter and a decrease of 0.6pp when compared to the previous year. The UK economic inactivity rate was 20.9%, a decrease of 0.1pp from the previous quarter and a decrease of 0.6pp from the previous year. The highest economic inactivity rate in the UK for the three months ending June 2023 was in Northern Ireland with 26.6%, with the lowest in the South East with 17.8%.

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

	Employment Rate – Apr to Jun 23 (aged 16- 64 years)	Change on Jan to Mar 2023	Unemployment Rate - Apr to Jun 23 (16 years +)	Change on Jan to Mar 2023	Inactivity Rate – Apr to Jun 23 (aged 16-64 years)	Change on Jan to Mar 2023
UK	75.7%	-0.1pp	4.2%	0.3pp	20.9%	-0.1pp
Great Britain	75.9%	-0.1pp	4.2%	0.3pp	20.7%	-0.1pp
England	76.2%	-0.1pp	4.2%	0.3pp	20.4%	-0.1pp
North East	74.7%	1.0pp	4.2%	0.0pp	21.9%	-1.0pp
North West	74.6%	-0.3pp	4.3%	1.0pp	22.0%	-0.6pp
Yorkshire and The Humber	74.5%	-0.2pp	3.5%	-0.5pp	22.8%	0.6pp
East Midlands	76.4%	0.8pp	3.7%	0.0pp	20.6%	-0.8pp
West Midlands	**75.1%**	**0.9pp**	**5.2%**	**0.1pp**	**20.7%**	**-1.2pp**
East	78.1%	-0.6pp	4.4%	0.4pp	18.2%	0.3pp
London	74.3%	-1.1pp	5.1%	0.4pp	21.7%	0.8pp
South East	79.1%	0.2pp	3.7%	0.0pp	17.8%	-0.2pp
South West	78.2%	-0.6pp	3.3%	0.8pp	19.0%	-0.1pp
Wales	72.7%	1.2pp	4.8%	0.3pp	23.6%	-1.3pp
Scotland	74.2%	-1.1pp	4.0%	0.9pp	22.6%	0.4pp
Northern Ireland	71.4%	-0.6pp	2.7%	0.2pp	26.6%	0.4pp

Source: ONS – Labour Force Survey

Annual Population Survey – Labour Market: Full Year Ending March 2023[6]

The table below provides a summary of the latest headline estimates for the working age population (16-64) in the WMCA area and the UK for the year ending March 2023 and percentage point (pp) change since the year ending March 2022:

	Economic Activity Rate		Employment Rate		Economically Inactive	
	Year to Mar 2023	Change Since Year to Mar 2022	Year to Mar 2023	Change Since Year to Mar 2022	Year to Mar 2023	Change Since Year to Mar 2022
Birmingham	71.0%	-0.7pp	65.6%	-0.6pp	29.0%	0.7pp
Coventry	74.4%	-0.3pp	71.0%	1.8pp	25.6%	0.3pp

[5] Source: ONS, Labour Market in the Regions of the UK: August 2023
[6] ONS, Annual Population Survey (APS), August 2023.

Dudley	80.7%	-1.4pp	76.5%	-2.2pp	19.3%	1.4pp
Sandwell	69.1%	-5.7pp	64.7%	-4.9pp	30.9%	5.7pp
Solihull	79.5%	-1.5pp	76.7%	-0.3pp	20.5%	1.5pp
Walsall	77.6%	2.6pp	71.2%	0.4pp	22.4%	-2.6pp
Wolverhampton	71.9%	-5.2pp	65.2%	-7.1pp	28.1%	5.2pp
WMCA	**73.5%**	**-1.5pp**	**68.6%**	**-1.4pp**	**26.5%**	**1.5pp**
UK	78.3%	-0.1pp	75.4%	0.3pp	21.7%	0.1pp

Economic Activity Rate

- In the year ending March 2023, the economic activity rate in the WMCA area was 73.5%, compared to 78.3% UK-wide. The economic activity rate for the WMCA area decreased by 1.5pp and for the UK, decreased by 0.1pp when compared to the year ending March 2023. For the WMCA area to reach the UK rate of 78.3%, an additional 88,097 people are required.

- Since the year ending March 2022, the economic activity rate for Birmingham decreased by 0.7pp and was at 71.0% in the year ending March 2023. For Birmingham to reach the UK rate of 78.3%, an additional 53,705 people are required.

- Since the year ending March 2022, the economic activity rate for Coventry decreased by 0.3pp and was 74.4% in the year ending March 2023. For Coventry to reach the UK rate of 78.3%, an additional 9,699 people are required.

- The economic activity rate for Dudley was 80.7% in the year ending March 2023, a decrease of 1.4pp since year ending March 2022. Despite the decline, Dudley's economic activity rate remains above the UK average of 78.3%.

- The economic activity rate for Sandwell was 69.1% in year ending March 2023, a decrease of 5.7pp since year ending March 2022. For Sandwell to reach the UK rate of 78.3%, an additional 19,169 people are required.

- Since the year ending March 2022, the economic activity rate for Solihull decreased by 1.5pp and was 79.5% in the year ending March 2023. Despite the decline, Solihull's economic activity rate remains above the UK average of 78.3%.

- The economic activity rate for Walsall was 77.6% in the year ending March 2023, an increase of 2.6pp (the only local authority in the WMCA to increase) since the year ending March 2022. For Walsall to reach the UK rate of 78.3%, an additional 1,183 people are required.

- The economic activity rate for Wolverhampton was 71.9% in the year ending March 2023, a decrease of 5.2pp since the year ending March 2022. For Wolverhampton to reach the UK rate of 78.3%, an additional 10,401 people are required.

Employment Rate

- In the year ending March 2023, the employment rate in the WMCA area was 68.6%, compared to 75.4% UK-wide. The employment rate for the WMCA area decreased by 1.4pp when compared to the year ending March 2022. In contrast, the UK employment rate increased by 0.3pp. For the WMCA area to reach the UK rate of 75.4%, an additional 126,867 people are required to be employed.

- Since the year ending March 2022, the employment rate for Birmingham decreased by 0.6pp and was 65.6% in the year ending March 2023. For Birmingham to reach the UK rate of 75.4%, an additional 73,137 people are required.

- Since the year ending March 2022, the employment rate for Coventry increased by 1.8pp and was 71.0% in the year ending March 2023. For Coventry to reach the UK rate of 75.4%, an additional 11,183 people are required.

- The employment rate for Dudley was 76.5% in the year ending March 2023, a decrease of 2.2pp since the year ending March 2022. Despite the decline, Dudley's employment rate remains above the UK average of 75.4%.

- The employment rate for Sandwell was 64.7% in the year ending March 2023, a decrease of 4.9pp since the year ending March 2022. For Sandwell to reach the UK rate of 75.4%, an additional 22,290 people are required.

- Since the year ending March 2022, the employment rate for Solihull decreased by 0.3pp and was 76.7% in the year ending March 2023. Despite the decline, Solihull's employment rate remains above the UK average of 75.4%.

- The employment rate for Walsall was 71.2% in March ending March 2023, an increase of 0.4pp since the year ending March 2022. For Walsall to reach the UK rate of 75.4%, an additional 7,148 people are required.

- The employment rate for Wolverhampton was 65.2% in the year ending in March 2023, a decrease of 7.1pp since the year ending March 2022. For Wolverhampton to reach the UK rate of 75.4%, an additional 16,792 people are required.

Economic Inactivity Rate

- In the year ending March 2023, the economic inactivity rate in the WMCA area was 26.5%, an increase of 1.5pp from the year ending March 2022. Over the same period the UK increased by 0.1pp to 21.7%.

- In the year ending March 2023, the WMCA area had a higher percentage of people that were inactive when compared to the UK in three categories; students (28.8% vs 26.3%), looking after the family/home (25.6% vs 19.6%) and discouraged (0.7% vs 0.3%). The was a further category – temporary sick that matched the national proportion (2.4%).

The following table shows the economic inactivity rate and by reason for the WMCA and UK-wide in the year ending March 2023:

	WMCA		UK	
Economic Inactivity	**492,400**	**26.5%**	**9,036,200**	**21.7%**
Student	141,900	28.8%	2,374,800	26.3%
Looking after family/home	126,300	25.6%	1,772,300	19.6%
Temporary sick	11,800	2.4%	212,700	2.4%
Long-term sick	126,700	25.7%	2,422,600	26.8%
Discouraged	3,500	0.7%	23,200	0.3%
Retired	27,100	5.5%	1,197,200	13.2%
Other	55,100	11.2%	1,033,300	11.4%

Modelled Unemployment Rate[7]

- In the year ending March 2023, the modelled unemployment rate in the WMCA area was 6.6%, compared to 3.7% for England-wide. The modelled unemployment rate for the WMCA area increased by 0.1pp when compared to the year ending March 2022. England's modelled unemployment rate decreased by 0.5pp.

- Since the year ending March 2022, the modelled unemployment rate for Birmingham increased by 0.5pp and was 7.8% in the year ending March 2023.

- Since the year ending March 2022, the modelled unemployment rate for Coventry decreased by 1.0pp and was 4.9% in the year ending March 2023.

- The modelled unemployment rate for Dudley was 4.7% in the year ending March 2023, an increase of 0.7pp since the year ending March 2022.

[7] The model-based estimate improves on the APS estimate by borrowing strength from the claimant count to produce an estimate that is more precise, i.e. has a smaller confidence interval. The claimant count is not itself a measure of unemployment but is strongly correlated with unemployment, and, as it is an administrative count, is known without sampling error. The gain in precision is greatest for areas with smaller sample sizes. Modelled unemployment rate is based on all people aged 16+ without a job who were available to start work in the two weeks following their interview and who had either looked for work in the four weeks prior to interview or were waiting to start a job they had already obtained. The unemployment count as a percentage of the economically active population aged 16+.

- The modelled unemployment rate for Sandwell was 6.0% in the year ending March 2023, a decrease of 0.1pp since the year ending March 2022.

- Since the year ending March 2022, the modelled unemployment rate for Solihull decreased by 0.4pp and was 3.7% in the year ending March 2023.

- The modelled unemployment rate for Walsall was 5.8% in the year ending March 2023, a decrease of 0.1pp since the year ending March 2022.

- The modelled unemployment rate for Wolverhampton was 7.2% in the year ending March 2023, an increase of 1.3pp since the year ending March 2022.

The following table provides a summary for those aged 16 years and over for modelled unemployment rate and also the latest percentage point change across the WMCA and England-wide:

	Year to Mar 2022	Year to Mar 2023	Change Since Year to Mar 2022
Birmingham	7.3%	7.8%	0.5pp
Coventry	5.9%	4.9%	-1.0pp
Dudley	4.0%	4.7%	0.7pp
Sandwell	6.1%	6.0%	-0.1pp
Solihull	4.1%	3.7%	-0.4pp
Walsall	5.9%	5.8%	-0.1pp
Wolverhampton	5.9%	7.2%	1.3pp
WMCA	**6.5%**	**6.6%**	**0.1pp**
England	4.2%	3.7%	-0.5pp

Employment by Occupation

- In the year ending March 2023, the WMCA area had a higher percentage of people employed in four of the nine occupations when compared to the UK. These are - administrative & secretarial occupations (11.0% vs 9.6%), sales & customer service occupations (6.6% vs 6.3%), process, plant & machine operatives (8.2% vs 5.8%) and elementary occupations (12.2% vs 9.5%).

The following table shows 16+ employment by occupation for the WMCA and UK in the year ending March 2023:

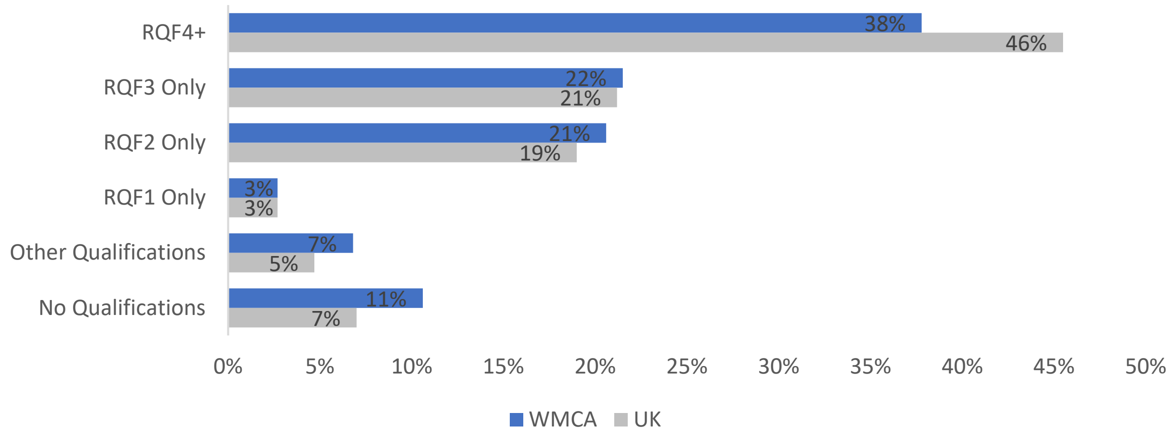
	WMCA		UK	
1: managers, directors and senior officials	103,100	7.8%	3,510,600	10.7%
2: professional occupations	315,800	24.0%	8,572,400	26.2%
3: associate prof & tech occupations	173,500	13.2%	4,607,600	14.1%
4: administrative and secretarial occupations	145,200	11.0%	3,140,300	9.6%
5: skilled trades occupations	114,700	8.7%	2,968,300	9.1%
6: caring, leisure and other service occupations	100,200	7.6%	2,661,800	8.1%
7: sales and customer service occupations	86,400	6.6%	2,072,800	6.3%
8: process, plant and machine operatives	108,000	8.2%	1,910,800	5.8%
9: elementary occupations	160,600	12.2%	3,120,200	9.5%

WMCA RQF Profile, 2022[8]

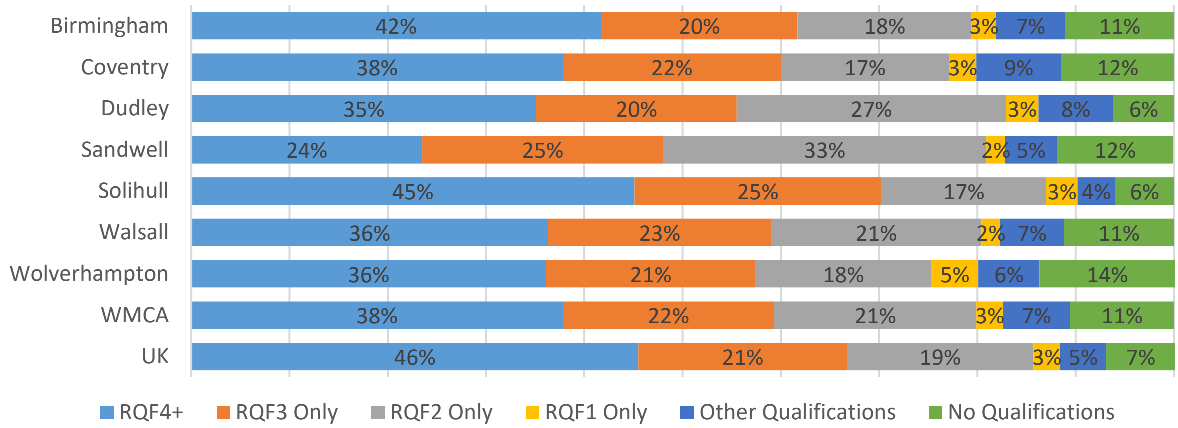
National Vocational Qualifications (NVQ) estimates have been replaced with estimates on a Regulated Qualifications Framework (RQF) basis. RQF based estimates are available for the Jan - Dec 2022 survey period, while estimates prior to Jan - Dec 2022 remain on an NVQ basis. On this basis only headline data for RQF qualifications has been included below and a full report will be published in due time.

[8] ONS, APS, August 2023.

- In 2022, in the WMCA area, 37.8% (656,400) of the working age population had RQF4+ qualifications. This was below the UK-wide average of 45.5%, meaning there was a shortfall in the WMCA area of 134,215 people.
- For the WMCA area, 10.6% (184,000) of the working age population had no qualifications, this was above the UK-wide average of 7.0% in 2022. To match the UK proportion, 62,465 residents in the WMCA area would need to gain a qualification.
- Compared to the UK average, the WMCA area had a higher proportion of residents with RQF3 (21.5% vs 21.2%), RQF2 (20.6% vs 19.0%) and other qualifications (6.8% vs 4.7%).
- For RQF1 qualifications, the WMCA matched the UK proportion of 2.7%.



The following chart shows the latest (2022) qualification profile (RQF) for the working age population for WMCA-wide compared to the UK:



The following chart shows a breakdown of qualification (RQF) levels in the WMCA area compared to the UK in 2022

Claimant Count

Claimant count for people aged 16 years and over[9]:

- There were 126,125 claimants in the WMCA area in July 2023. Since June 2023, there has been an increase of 1.5% (+1,900) claimants in the WMCA area, while the UK increased by 1.8%. When compared to July 2022, claimants have increased by 4.0% (+4,835) in the WMCA area, with the UK increasing by 2.7% over the same period. When compared to March 2020 (pre-Coronavirus pandemic), claimants have increased by 27.0% (+26,825) in the WMCA area, with the UK increasing by 23.3% over the same period.

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

- Birmingham had 63,695 claimants aged 16 years and over in July 2023, an increase of 1,300 (+2.1%) claimants from the previous month. Compared to the same month in 2022, Birmingham claimants increased by 2,425 (+4.0%). When compared to March 2020, the number of claimants has increased by 14,325 (+29.0%).

- Coventry had 12,990 claimants aged 16 years and over in July 2023, an increase of 85 (+0.7%) claimants from the previous month. Compared to the same month in 2022, Coventry claimants increased by 1,415 (+12.2%). When compared to March 2020, the number of claimants has increased by 4,990 (+62.4%).

- Dudley had 9,165 claimants aged 16 years and over in July 2023, an increase of 135 (+1.5%) claimants from the previous month. Compared to the same month in 2022, Dudley claimants decreased by 210 (-2.2%). When compared to March 2020, the number of claimants has increased by 650 (+7.6%).

- Sandwell had 13,675 claimants aged 16 years and over in July 2023, an increase of 355 (+2.7%) claimants from the previous month. Compared to the same month in 2022, Sandwell claimants increased by 410 (+3.1%). When compared to March 2020, the number of claimants has increased by 2,895 (+26.9%).

- Solihull had 4,085 claimants aged 16 years and over in July 2023, a decrease of 30 (-0.7%) claimants from the previous month. Compared to the same month in 2022, Solihull claimants decreased by 265 (-6.1%). When compared to March 2020, the number of claimants has increased by 435 (+11.9%).

- Walsall had 9,810 claimants aged 16 years and over in July 2023, a decrease of 30 (-0.3%) claimants from the previous month. Compared to the same month in 2022, Walsall claimants increased by 285 (+3.0%). When compared to March 2020, the number of claimants has increased by 1,205 (+14.0%).

- Wolverhampton had 12,705 claimants aged 16 years and over in July 2023, an increase of 80 (+0.6%) claimants from the previous month. Compared to the same month in 2022, Wolverhampton claimants increased by 775 (+6.5%). When compared to March 2020, the number of claimants has increased by 2,325 (+22.4%).

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

	Mar 2020	Jul 2022	Jun 2023	Jul 2023	Jul 2023 (Claimants as proportion aged 16-64) Rates	% Change Since Mar 20	% Change Since Jul 22	% Change Since Jun 23
Birmingham	49,370	61,270	62,395	63,695	8.6%	29.0%	4.0%	2.1%
Coventry	8,000	11,575	12,905	12,990	5.8%	62.4%	12.2%	0.7%
Dudley	8,515	9,375	9,030	9,165	4.7%	7.6%	-2.2%	1.5%
Sandwell	10,780	13,265	13,320	13,675	6.3%	26.9%	3.1%	2.7%
Solihull	3,650	4,350	4,115	4,085	3.2%	11.9%	-6.1%	-0.7%
Walsall	8,605	9,525	9,840	9,810	5.6%	14.0%	3.0%	-0.3%
Wolverhampton	10,380	11,930	12,625	12,705	7.7%	22.4%	6.5%	0.6%
WMCA	**99,300**	**121,290**	**124,225**	**126,125**	**6.8%**	**27.0%**	**4.0%**	**1.5%**
UK	1,268,620	1,523,345	1,536,465	1,564,510	3.7%	23.3%	2.7%	1.8%

- 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 July 2023.

Youth Claimants (Aged 18-24)

- In July 2023, there were 23,315 youth claimants in the WMCA area. Since June 2023, there was an increase of 2.0% (+460) youth claimants in the WMCA area, while the UK increased by 2.2%. When compared to July 2022, youth claimants have increased by 12.2% (+2,540) in the WMCA area, with the UK increasing by 9.5%. When compared to March 2020 (pre-Coronavirus pandemic), youth claimants have increased by 21.7% (+4,160) in the WMCA area, with the UK increasing by 12.9%.

- Birmingham had 11,645 youth claimants in July 2023, an increase of 275 (+2.4%) youth claimants from the previous month. Compared to the same month in 2022, Birmingham's youth claimants increased by 1,305 (+12.6%). When compared to March 2020, the number of youth claimants has increased by 2,540 (+27.9%).

- Coventry had 2,205 youth claimants in July 2023, an increase of 10 (+0.5%) youth claimants from the previous month. Compared to the same month in 2022, Coventry's youth claimants increased by 260 (+13.4%). When compared to March 2020, the number of claimants has increased by 670 (+43.6%).

- Dudley had 1,760 youth claimants in July 2023, an increase of 30 (+1.7%) youth claimants from the previous month. Compared to the same month in 2022, Dudley's youth claimants increased by 140 (+8.6%). When compared to March 2020, the number of youth claimants has increased by 10 (+0.6%).

- Sandwell had 2,590 youth claimants in July 2023, an increase of 75 (+3.0%) youth claimants from the previous month. Compared to the same month in 2022, Sandwell's youth claimants increased by 270 (+11.6%). When compared to March 2020, the number of youth claimants has increased by 475 (+22.5%).

- Solihull had 780 youth claimants in July 2023, an increase of 25 (+3.3%) claimants from the previous month. Compared to the same month in 2022, Solihull's youth claimants decreased by 10 (-1.3%). When compared to March 2020, the number of youth claimants has decreased by 45 (-5.5%).

- Walsall had 2,030 youth claimants in July 2023, an increase of 15 (+0.7%) claimants from the previous month. Compared to the same month in 2022, Walsall's youth claimants increased by 240 (+13.4%). When compared to March 2020, the number of youth claimants has increased by 115 (+6.0%).

- Wolverhampton had 2,305 youth claimants in July 2023, an increase of 30 (+1.3%) youth claimants from the previous month. Compared to the same month in 2022, Wolverhampton's youth claimants increased by 330 (+16.7%). When compared to March 2020, the number of youth claimants has increased by 395 (+20.7%).

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	Jul 2022	Jun 2023	Jul 2023	Jun 2023 (Claimants as proportion aged 18-24) Rates	% Change Since Mar 20	% Change Since Jul 22	% Change Since Jun 23
Birmingham	9,105	10,340	11,370	11,645	9.0%	27.9%	12.6%	2.4%
Coventry	1,535	1,945	2,195	2,205	5.1%	43.6%	13.4%	0.5%
Dudley	1,750	1,620	1,730	1,760	7.4%	0.6%	8.6%	1.7%
Sandwell	2,115	2,320	2,515	2,590	9.1%	22.5%	11.6%	3.0%
Solihull	825	790	755	780	5.2%	-5.5%	-1.3%	3.3%
Walsall	1,915	1,790	2,015	2,030	9.0%	6.0%	13.4%	0.7%
Wolverhampton	1,910	1,975	2,275	2,305	10.8%	20.7%	16.7%	1.3%
WMCA	**19,155**	**20,775**	**22,855**	**23,315**	**8.2%**	**21.7%**	**12.2%**	**2.0%**
UK	238,085	245,315	262,970	268,705	4.9%	12.9%	9.5%	2.2%

- Overall, for the WMCA area, the number of youth claimants as a percentage of residents aged 18-24 years old was 8.2% compared to 4.9% for the UK in July 2023.

Claimant Count by Age and Gender[10]

- For those aged 16-24 in the WMCA area, when comparing July 2023 to the previous month, there was an overall increase of 470 claimants. This can be split by an increase of 195 males and an increase of 275 females.

- For those aged 25-49 in the WMCA area, when comparing July 2023 to the previous month, there was an overall increase of 1,315 claimants. This can be split by an increase of 255 males (notably for males there were 50 less when compared with the same month a year before) and an increase of 1,055 females (in contrast to males there were 3,995 more female claimants when compared with the same month a year before).

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

- For those aged 50 years and over in the WMCA area, when comparing July 2023 to the previous month, there was an overall increase of 120 claimants. This can be split by an increase of 35 males and an increase of 90 females. When comparing July 2023 with the same month in 2022, overall claimants were 1,635 lower, split by 1,030 fewer males and 605 fewer females.

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

		Mar 2020	Jun 2022	May 2023	Jun 2023	No. Change Since Mar 20	No. Change Since Jul 22	No. Change Since Jun 23
Total	**Age 16+**	**99,300**	**121,290**	**124,225**	**126,125**	**26,825**	**4,835**	**1,900**
	Aged 16-24	**19,345**	**20,955**	**23,005**	**23,475**	**4,130**	**2,520**	**470**
	Aged 16-17	190	180	150	160	-30	-20	10
	Aged 18-24	19,155	20,775	22,855	23,315	4,160	2,540	460
	Aged 25-49	**56,930**	**71,555**	**74,190**	**75,505**	**18,575**	**3,950**	**1,315**
	Aged 25-29	13,505	15,595	16,175	16,380	2,875	785	205
	Aged 30-34	13,315	16,715	16,915	17,075	3,760	360	160
	Aged 35-39	11,650	15,580	16,365	16,755	5,105	1,175	390
	Aged 40-44	9,535	13,065	14,070	14,305	4,770	1,240	235
	Aged 45-49	8,925	10,595	10,665	10,990	2,065	395	325
	Aged 50+	**23,020**	**28,780**	**27,025**	**27,145**	**4,125**	**-1,635**	**120**
	Aged 50-54	8,360	10,220	9,785	9,910	1,550	-310	125
	Aged 55-59	7,490	8,995	8,385	8,440	950	-555	55
	Aged 60-64	6,340	7,830	7,090	7,065	725	-765	-25
	Aged 65+	830	1,740	1,765	1,730	900	-10	-35
Male	**Age 16+**	**58,885**	**72,070**	**71,920**	**72,405**	**13,520**	**335**	**485**
	Aged 16-24	**11,970**	**13,120**	**14,335**	**14,530**	**2,560**	**1,410**	**195**
	Aged 16-17	85	85	75	75	-10	-10	0
	Aged 18-24	11,885	13,035	14,260	14,455	2,570	1,420	195
	Aged 25-49	**33,260**	**42,030**	**41,725**	**41,980**	**8,720**	**-50**	**255**
	Aged 25-29	8,180	9,610	9,710	9,815	1,635	205	105
	Aged 30-34	7,825	9,935	9,680	9,630	1,805	-305	-50
	Aged 35-39	6,605	8,860	8,910	9,015	2,410	155	105
	Aged 40-44	5,525	7,455	7,530	7,510	1,985	55	-20
	Aged 45-49	5,125	6,170	5,900	6,010	885	-160	110
	Aged 50+	**13,655**	**16,920**	**15,855**	**15,890**	**2,235**	**-1,030**	**35**
	Aged 50-54	4,880	5,970	5,600	5,615	735	-355	15
	Aged 55-59	4,420	5,310	4,975	4,995	575	-315	20
	Aged 60-64	3,815	4,560	4,150	4,155	340	-405	5
	Aged 65+	535	1,075	1,130	1,120	585	45	-10
Female	**Age 16+**	**40,415**	**49,225**	**52,305**	**53,725**	**13,310**	**4,500**	**1,420**
	Aged 16-24	**7,375**	**7,835**	**8,670**	**8,945**	**1,570**	**1,110**	**275**
	Aged 16-17	105	95	75	85	-20	-10	10
	Aged 18-24	7,270	7,740	8,595	8,860	1,590	1,120	265
	Aged 25-49	**23,670**	**29,525**	**32,465**	**33,520**	**9,850**	**3,995**	**1,055**
	Aged 25-29	5,325	5,985	6,465	6,565	1,240	580	100
	Aged 30-34	5,490	6,780	7,240	7,445	1,955	665	205
	Aged 35-39	5,045	6,720	7,455	7,745	2,700	1,025	290
	Aged 40-44	4,010	5,610	6,540	6,795	2,785	1,185	255
	Aged 45-49	3,800	4,430	4,765	4,975	1,175	545	210
	Aged 50+	**9,365**	**11,865**	**11,170**	**11,260**	**1,895**	**-605**	**90**
	Aged 50-54	3,475	4,250	4,185	4,295	820	45	110
	Aged 55-59	3,070	3,685	3,410	3,445	375	-240	35
	Aged 60-64	2,525	3,270	2,935	2,905	380	-365	-30
	Aged 65+	295	660	635	615	320	-45	-20

Lightcast Job Postings WMCA Geography for July 2023[11]

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

- ***The number of unique job postings across the WMCA 7 Met. area decreased in July, for the third time since the turn of the year.***

- Unique job postings decreased by 7,329 or 5.9% from 124,675 in June to 117,346 in July. This is the third time since January that unique postings have decreased month-on-month across the WMCA 7 Met. area.

- Job posting activity was mixed within each of the seven local authority areas. All seven of the areas saw a decrease from the previous month. Birmingham logged the largest decrease on the previous month in real terms, at -4,060 (-5.8%), but Walsall saw the largest decrease in percentage terms, at -594 (-9.7%). Coventry saw the smallest decrease.

- Posting intensity, i.e., the effort towards hiring was 3-to-1 across all areas.

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

	July 2023 Unique Postings	**Percentage Change (June 2023 - July 2023)**
Birmingham	66,029	-5.8%
Coventry	14,173	-2.5%
Dudley	8,481	-6.0%
Sandwell	8,208	-7.9%
Solihull	7,851	-5.5%
Walsall	7,050	-7.9%
Wolverhampton	5,554	-9.7%

NatWest Purchasing Manager Index (PMI) Survey: West Midlands Region

Released August 2023[12]

The Economic Intelligence Unit

In Summary:

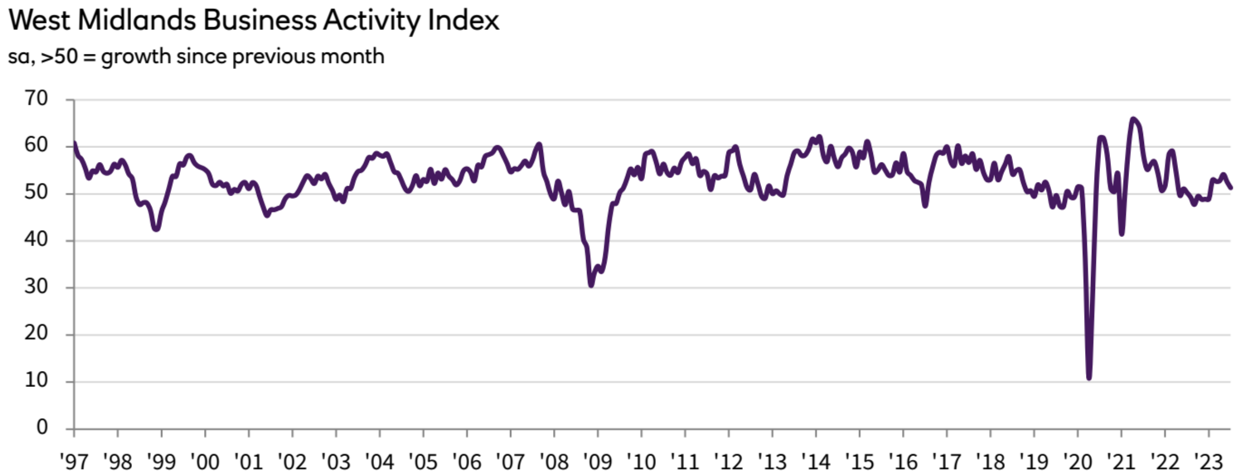
- The West Midlands Business Activity Index decreased from 52.6 in June 2023 to 51.3 in July 2023, although remained above the 50-growth mark for the sixth month in a row. Growth was due to the launch of new products and services along with demand resilience. Restricting business activity was linked to signs of an economic slowdown, client destocking and unfavourable conditions.
- The UK Business Activity Index decreased from 52.8 in June 2023 to 50.8 in July 2023.
- Out of the 12 UK regions, the West Midlands was the fourth highest for business activity in July 2023.
- The West Midlands Future Business Activity Index increased from 74.4 in June 2023 to 76.8 in July 2023. Optimism in West Midlands firms was linked to planned investment in staff and systems, expected gains in market shares and hopes that inflation would retreat.
- Out of the 12 UK regions, the West Midlands was the highest region for future business activity in July 2023.

In Detail:

Business Activity Index

The West Midlands Business Activity Index decreased from 52.6 in June 2023 to 51.3 in July 2023, although remained above the 50-growth mark for the sixth month in a row. Growth was due to the launch of new products and services along with demand resilience. Restricting business activity was linked to signs of an economic slowdown, client destocking and unfavourable conditions.

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



Source: NatWest West Midlands PMI, August 2023

Out of the 12 UK regions, the West Midlands was the fourth highest for business activity in July 2023. London was the highest with 52.3 and the North East was the lowest at 46.8.

[12] Source: NatWest UK regional PMI report for July 2023, released August 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.

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

Source: NatWest West Midlands PMI, August 2023

Demand

The West Midlands New Business Index decreased from 53.0 in June 2023 to 50.6 in July 2023. Despite the decline, this is the sixth consecutive month for rises in new business intakes. The rise in new work was linked to the offering of new services, demand resilience and greater client bases. Growth was reportedly restricted by destocking efforts at customers, signs of an economic slowdown, elevated borrowing costs and unfavourable conditions.

Exports

The West Midlands Export Climate Index decreased from 51.2 in June 2023 to 50.4 in July 2023, which indicates a marginal improvement in export conditions for West Midlands firms. The latest reading was the lowest for six months and moved closer to the no-change mark of 50.0.

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Jul' 23
1	USA	24.3%	52.0
2	Germany	11.9%	48.5
3	China	8.5%	51.9
4	France	7.7%	46.6
5	Ireland	7.2%	50.0

The following table shows the top export markets for the West Midlands in July 2023:

Source: NatWest West Midlands PMI, August 2023

Business Capacity

The West Midlands Employment Index decreased from 50.2 in June 2023 to 50.0 in July 2023. Some West Midlands firms hired extra staff, owing to anticipated improvements in sales and the replacement of workers who had resigned in late-2022. While other firms in the West Midlands reported to reducing payroll numbers due to automation, wage cost pressures and efforts to improve cashflows.

The West Midlands Outstanding Business Index increased from 45.0 in June 2023 to 45.7 in July 2023, the eighth consecutive month under the 50-mark threshold. Despite softening from the previous month, the rate of backlog depletion was historically marked. West Midlands Firms reported that subdued sales growth facilitated the reduction in unfinished business.

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

Prices

The West Midlands Input Prices Index increased from 61.4 in June 2023 to 62.1 in July 2023, this follows seven months of easing. Although sharp, the latest increase in expenses was considerably less pronounced than those seen over the past two-and-a-half years. West Midlands firms reported greater pressure from salaries and wages, but lower prices for freight, raw materials, and utilities.

The West Midlands Prices Charged Index decreased from 57.6 in June 2023 to 56.0 in July 2023, still indicating a notable increase. The rate of inflation remains historically high but has eased to the weakest level seen since February 2021. There were some West Midlands firms that reportedly hiked their fees due to ongoing cost rises and the passing on of previously absorbed hikes to energy prices, while other firms lowered their charges due to subdued demand conditions and savings made from reduced raw material prices.

Outlook

The West Midlands Future Business Activity Index increased from 74.4 in June 2023 to 76.8 in July 2023. Optimism in West Midlands firms was linked to planned investment in staff and systems, expected gains in market shares and hopes that inflation would retreat.

Out of the 12 UK regions, the West Midlands was the highest for Future Business Activity in July 2023. The South East was the second highest at 75.2 and Scotland was the lowest at 59.1.

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

Source: NatWest West Midlands PMI, August 2023

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

The Economic Intelligence Unit

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

On the 1st September 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 25th August 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).

Consumer Behaviour Indicators
Bank of England CHAPS data reported in the week to 24th August 2023, credit and debit card purchases increased by 4 percentage points (this coincides with the summer bank holiday weekend) when compared with the same week in 2022.

Springboard data shows overall retail footfall in the week to 27th August 2023 increased to 102% of the previous week, and 101% of the equivalent week of 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 18th and 25th August 2023, total online job adverts decreased by 1.0%. On the 25th August 2023, total online job adverts were at 111.2% of their average level in February 2020. Out of the 28 categories (excluding unknown) 14 decreased; the largest weekly decrease was in "other/general", which fell by 9.8% (to 125.3% of the average level in February 2020). "HR & recruitment" remained at 100.6% of the average level in February 2020. Of the 13 categories that increased, the highest increase was in "charity / voluntary" which rose by 3.9% (to 93.1% of the average level in February 2020). There were 13 categories that were below the February 2020 average level, with the lowest in "legal" at 70.6%.

Excluding Scotland and North East (increases of 1.0% and 2.1% respectively), online job adverts decreased for all UK regions between the 18th and 25th August 2023. The West Midlands online job postings fell by 0.8% and on the 25th August 2023, it was at 105.8% of the average level in February 2020. On the 25th August 2023, there were 4 regions below their February 2020 levels (London 89.8%, East of England 89.9%, South East 90.3% and the East Midlands 98.2%). In contrast, Northern Ireland was the highest at 164.5% of the average level of February 2020.

Potential Redundancies
Calculated as a rolling four-week average, the number of potential redundancies in the week to 20 August 2023 was 129% above the level in the equivalent week of 2022. This is in part because of a large number of potential redundancies from a single employer. The number of employers proposing redundancies was 25% above the level in the equivalent week of 2022.

System Average Price of Gas and System Price of Electricity
For the first time in 2023, the National Gas Transmission, Elexon report that the System Average Price (SAP) of gas has increased for three consecutive weeks. In the week 27th August 2023, there was an increase of 8% when compared with the previous week. When compared to the equivalent period in the previous year it was 81% lower but was 285% higher than the pre-coronavirus baseline.

The latest weekly data also shows that the System Average Price (SAP) of electricity increased by 15%. Although, when compared to the equivalent period in the previous year it was 81% lower. However, when compared to the pre-coronavirus baseline, SAP of electricity was 165% higher.

Transport

In the week to 27th August 2023, the average number of UK flights increased by 1% from the week before and was 8% higher when compared with the equivalent week of 2022. Although still 9% lower than the pre-coronavirus baseline.

Business Insights and Conditions Survey

The final results from Wave 89 of the Business Insights and Conditions Survey (BICS) based off the 5,202 businesses surveyed across the West Midlands that businesses have a presence in with a response rate of 30.5% (1,587) and 3,211 businesses that are head quartered in the West Midlands, with a response rate of 28.5% (915). Please note, the survey reference period was 1st to 31st July 2023 with a survey live period of 7th to 20th August 2023. Also, the data used is unweighted for regions and response levels can be low so the following results should be treated with caution when evaluating impacts. Due to weighted data being available for the UK a comparison has not been included.

Financial Performance

23.9% of responding West Midlands businesses reported that turnover in July 2023 had increased when compared to the previous calendar month. 39.7% of West Midlands businesses reported turnover had stayed the same. However, 29.4% had reported that turnover had decreased.

28.1% of West Midlands businesses expect turnover to increase in September 2023. While 47.5% expect turnover to stay the same and 13.0% expect a decrease in September 2023.

Prices

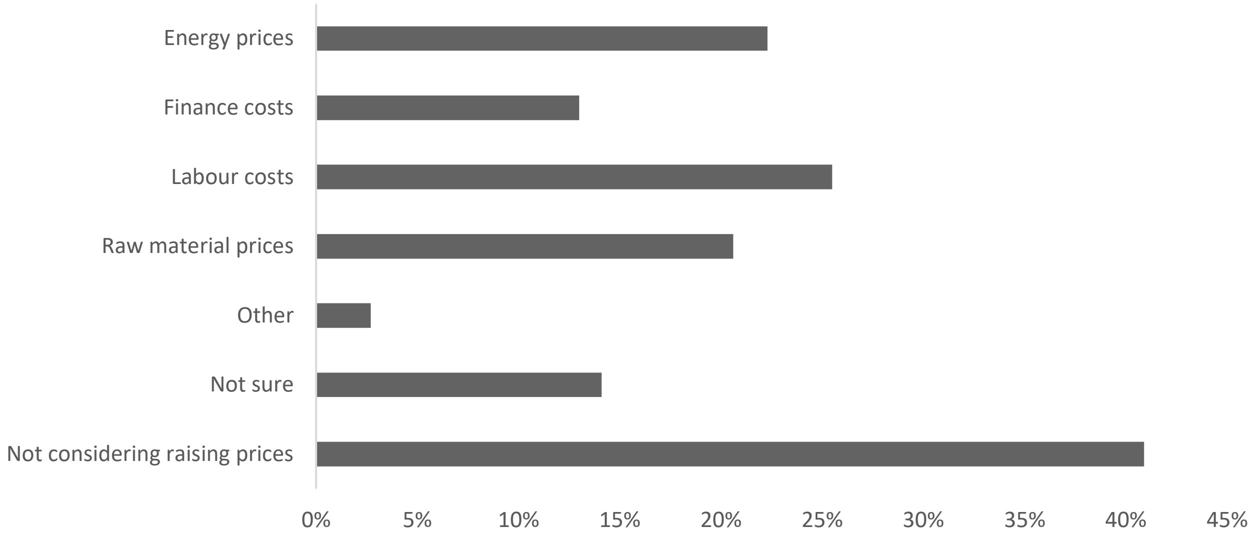
20.5% of responding West Midlands businesses reported the prices of goods or services brought in July 2023 when compared to the previous month had increased. 60.2% reported that prices had stayed the same and 3.1% of West Midlands businesses reported that prices of goods or services brought had decreased.

9.9% of West Midlands businesses reported the prices of goods or services sold in July 2023 when compared to the previous month had increased. 72.9% reported that prices had stayed the same and 3.4% of West Midlands businesses reported that prices of goods or services sold had decreased.

13.2% of West Midlands businesses expect the prices of goods or services sold in September 2023 to increase. 67.6% expect prices to stay the same and 1.8% expect the prices of goods or services sold to decrease.

22.3% of West Midlands businesses reported that energy prices were a factor for the business to consider rising prices in September 2023. While 40.9% of responding West Midlands businesses reported to not be considering raising prices in September 2023.

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



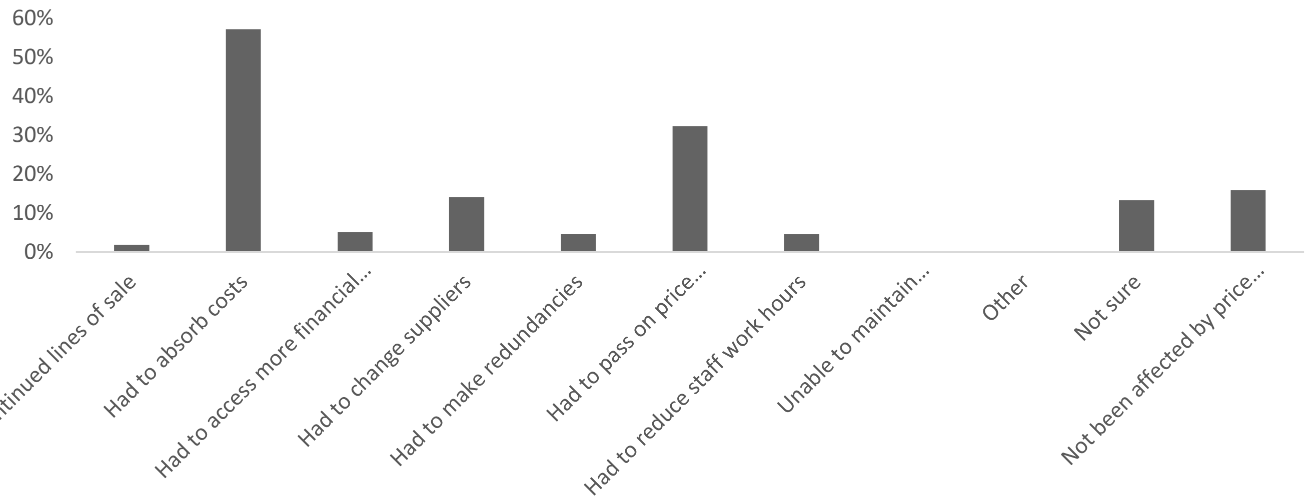
Energy Prices

4.8% of responding West Midlands businesses reported production had been affected by recent increases in energy prices, 13.3% of West Midlands businesses reported suppliers had been affected and 21.0% of West Midlands businesses reported that both production and suppliers were affected. While 29.8% of West Midlands businesses reported to not being affected by the recent increases in energy prices.

Impacts of Price Rises

57.1% of West Midlands businesses have had to absorb costs due to price rises.

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



Demand for Goods and Services

12.6% of responding West Midlands businesses reported that domestic demand for goods and services in July 2023 when compared to the previous month had increased. 49.8% reported the domestic demand had stayed the same and 18.5% of West Midlands businesses reported the domestic demand for goods and services had decreased.

4.2% of West Midlands businesses reported that international demand for goods and services in July 2023 when compared to the previous month had increased. 24.8% reported the international demand had stayed the same and 7.7% of West Midlands businesses reported the international demand for goods and services had decreased.

Stock Levels and Stockpiling

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

8.4% of responding West Midlands businesses reported that stock levels of raw materials in July 2023 when compared to the previous month were higher. 35.0% reported that stock levels stayed the same and 9.8% of West Midlands businesses reported stock was lower.

9.2% of responding West Midlands businesses reported that stock levels of finished materials in July 2023 when compared to the previous month were higher. 31.8% reported that stock levels stayed the same and 9.8% of West Midlands businesses reported stock was lower.

5.8% of responding West Midlands businesses reported to stockpiling goods or materials.

Number of Employees

20.8% of responding West Midlands businesses reported in July 2023 when compared to the previous month, that the number of employees increased, 59.0% reported the number of employees had stayed the same and 12.7% of West Midlands businesses reported the number of employees had decreased.

19.8% of West Midlands businesses expect the number of employees will increase in September 2023. While 62.7% expect the number of employees to stay the same and 6.7% of West Midlands businesses expect the number of employees to decrease.

Recruitment Difficulties

26.6% of responding West Midlands businesses reported to experiencing difficulties in recruiting employees in July 2023. However, 43.3% of West Midlands businesses did not experience any difficulties.

EU Workers and Non-EU Workers

2.5% of responding West Midlands businesses reported in July 2023 when compared with the same month in the previous year that the number of workers from within the EU had increased. While 24.1% reported the number had stayed the same and 5.7% reported a decrease.

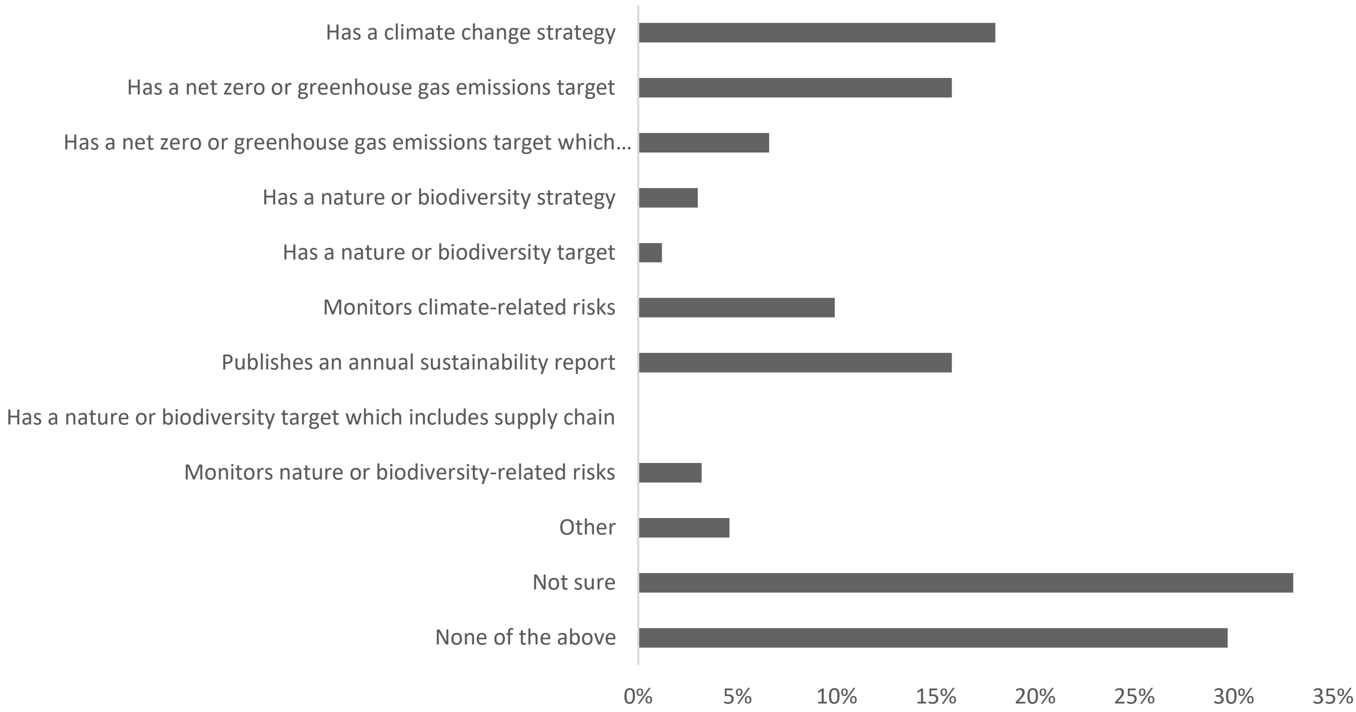
4.1% of responding West Midlands businesses reported in July 2023 when compared with the same month in the previous year that the number of workers from outside the EU had increased. While 16.8% reported the number had stayed the same and 2.3% reported a decrease.

Net Zero

55.1% of responding West Midlands businesses reported to either being very concerned or somewhat concerned about the impact climate change may have on the business. While 26.0% were not concerned.

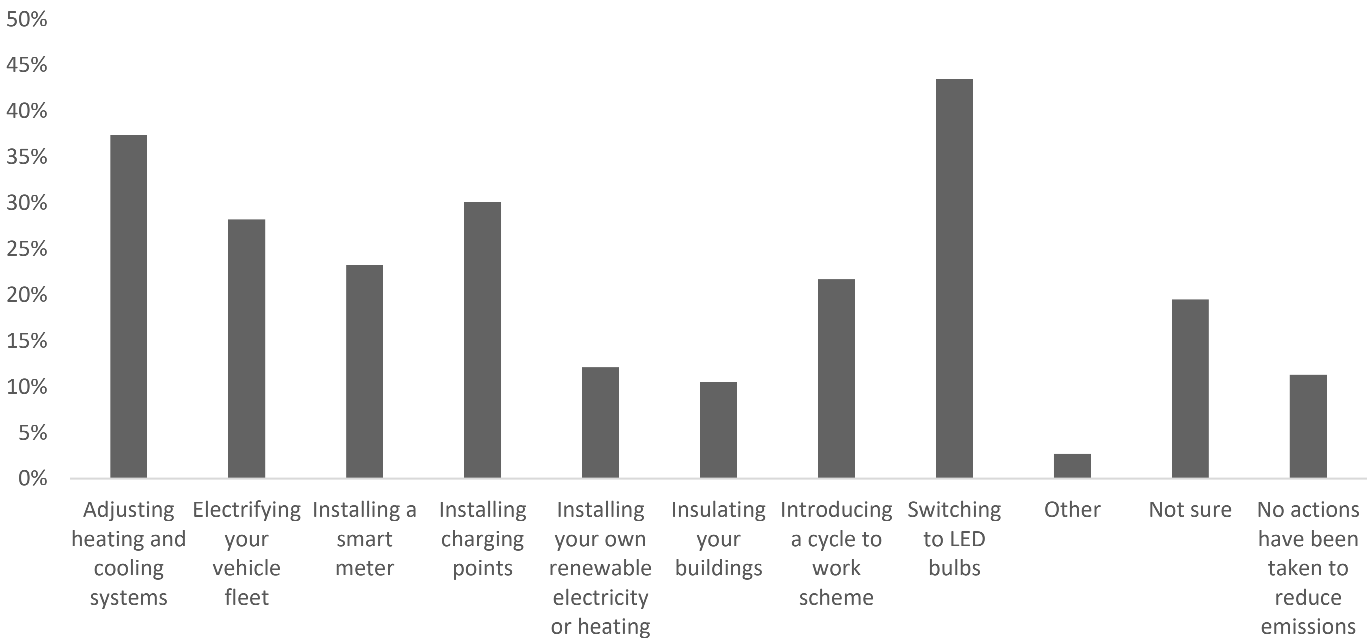
18.0% of West Midlands businesses have taken action to protect the environment by having a climate change strategy.

Actions (if any), West Midlands businesses have taken to protect the environment:



43.5% of West Midlands businesses have switched to LED bulbs to reduce carbon emissions.

Actions (if any), West Midlands businesses have taken to reduce carbon emissions:



Debts and Insolvency

3.4% of responding West Midlands businesses reported that debt repayments were between 50% and 100% of turnover in March 2023. 4.2% of West Midlands businesses reported that repayments were between 20% and 50% of turnover. 26.2% of West Midlands businesses reported that repayments were up to 20% of turnover. While 40.3% of responding West Midlands businesses reported that it was not applicable.

47.2% of West Midlands businesses reported high confidence to meet the current debt obligations, 14.2% had moderate confidence and 1.8% had low confidence.

5.5% of West Midlands businesses reported to be at moderate risk of insolvency, 45.5% reported low risk and 39.0% reported no risk.

Overall Performance

31.0% of responding West Midlands businesses reported that overall performance in July 2023 increased when compared to the same period in the previous year. 39.7% of West Midlands businesses reported that performance had stayed the same and 18.8% reported that performance had decreased.

For the next 12 months, 40.0% of West Midlands businesses expect that performance will increase, 35.4% expect performance will stay the same and 9.1% expect performance will decrease.

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 9th to 20th August 2023.

Important Issues Facing the UK

Respondents felt the four main issues facing the UK were; the cost of living (91%), the NHS (88%), the economy (7%), climate change & the environment (67%) and housing (60%).

Cost of Living

53% of respondents reported that their cost of living had increased, compared with a month ago, while 45% reported it had stayed the same and 2% said it had decreased.

62% of respondents reported to spending less on non-essentials, 51% were shopping around more, and 44% were using less fuel such as gas or electricity in their homes.

When asked about their personal experiences of food shopping, 51% of respondents reported having to spend more than usual to get what they normally buy, an increase from 43% in the previous period (26th July to 6th August 2023).

Rent/Mortgages

Among those currently paying rent or a mortgage, 46% reported that their rent or mortgage payments had gone up in the past 6 months.

Among those who are currently paying rent or a mortgage, 36% reported finding it very or somewhat difficult to afford these payments; this was 29% in early August 2022.

WMCA Growth Hub Intelligence
The Economic Intelligence Unit

Headlines

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Outlook

According to the latest <u>economic forecasts from the National Institute of Economic and Social Research (NIESR)</u>, the UK is on course to experience five years of lost economic growth. UK GDP is currently (2023 Q1) 0.5 per cent below the level of GDP before the pandemic. NIESR's forecast does not have it passing this level until the third quarter of 2024.
GDP is projected to grow barely by 0.4 per cent this year and by 0.3 per cent in 2024, with the outlook remaining highly uncertain. There are, in fact, even chances that GDP growth will contract by the end of 2023 and a roughly 60 per cent risk of a recession at the end of 2024.
However, <u>ONS revisions</u> suggest that the UK economy made a stronger recovery during Covid at the end of 2021 than previously estimated. Data has now revealed that the economy was 0.6% bigger in the final three months of 2021 compared to pre-pandemic levels. The previous figures said that the UK economy was 1.2% smaller.
While NIESR's report also highlights that the <u>spending power of workers in some parts of the UK</u> will still be below the level it was before the pandemic by the end of 2024. The West Midlands is forecast to be the hardest hit region in this regard, with median real wages by the end of 2024 around 5 per cent lower than in 2019 (20% below the UK median). This is reflected in the broader findings on economic growth by region, with the West Midlands clearly suffering badly from the shocks of recent years. NIESR find that the only region well below pre-Covid levels of GVA remains the West Midlands, and that only the West Midlands and the non-metropolitan parts of the South East are projected to have lower levels of GVA at the end of 2024 than at the end of 2019.
So, while the most recent UK GDP figures demonstrated a 0.2% increase in Quarter 2 of 2023, the <u>economy remains in a precarious position</u>. This is reflected in the latest <u>S&P Global/CIPS composite Purchasing Managers' Index (PMI)</u>, which tumbled to 47.9 in August from 50.8 in July. The reading was the lowest since January 2021, when Britain was in a COVID-19 lockdown, and the first fall below the 50 level which divides growth from contraction since January this year.
In recent business surveys, however, the West Midlands has bucked the national trend for confidence levels. The West Midlands was among only two regions in the UK to mark a rise in business confidence in July, according to the latest according to the latest figures from <u>Lloyds Bank Commercial Banking</u>. Business confidence in the West Midlands rose two points during the seventh month of the year to 38 per cent, rising again in August (to 41 per cent) as part of a <u>UK wide surge in confidence</u> – to an 18-month high.
Firms identified their top target areas for growth in the next six months as introducing new technology (38 per cent), evolving their offer (38 per cent) and diversifying into new markets (32 per cent).
Furthermore, the number of start-up businesses increased in the West Midlands during July, according to <u>research from R3.</u> Research from the UK's insolvency and restructuring trade body shows that West Midlands start-ups rose by 4.3 per cent last month, from 5,677 in June to 5,921 in July. This contrasts with the same period last year when start-ups fell by 3.7 per cent.
Birmingham recorded the highest office take-up outside London and the South East during the second quarter of this year, according to new research from <u>CBRE</u>. CBRE's latest UK Office Market Report showed that three of the five biggest deals transacted during this period were also in Birmingham, including 36,000 sq ft at Louisa Ryland House, 22,900 sq ft at Crossway House/156 Great Charles Street and 21,500 sq ft at 54 Hagley Road. A total of 174,907 sq ft of space was let in the city in Q2, 15 per cent up on Q1. In total, 327,000 sq ft was taken-up in H1, 12 per cent more than the same period last year and the highest H1 take-up since 2020.

Trading Environment

The difficult economic situation has been driven by, and is reflective of, sustained high inflation. This is now falling (the overall <u>CPI down to 6.8% in July</u>), but as highlighted by the <u>FSB</u> and <u>British</u>

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Chambers of Commerce, **businesses are still under pressure from high prices and continuous interest rate hikes.**

- So, while easing price pressures are undoubtedly a positive for the local economy and business environment, we **can't lose sight of the ongoing challenge for businesses and communities**. NIESR also forecast inflation to remain continually above target until 2025, expecting it to fall to 5.2% by the end of 2023 and 3.9% by the end of 2024.
- Linked to this, according to BDO's latest economic engine survey, **Midlands businesses' biggest concern is shifts in consumer spending – with customers cutting back on expenditures**. This was the largest worry for 59% of companies in the survey, followed by supply chain disruptions (31%) and access to talent, with 46% urging the Government to enhance its support in addressing particular skills shortages.
- More reassuringly, despite the continued pressures facing businesses, **growth ambitions remain firmly on the agenda**, with 28% of Midlands companies looking to recruit more people with the right skills, as a way of meeting strategic aims.
- This is reflected in reports from **local business support organisations that suggest many businesses are still seeking investment to support growth plans**. In particular, capital investment projects such as engineering and manufacturing plant and investment in software and app development are featuring regularly in conversations.
- Continued **EU Exit overhang** as **high freight costs** affecting international sales. **Customs delays**, in part due to **incorrectly handled paperwork**, adding weeks to delivery lead times as containers are being held.
- **Energy cost concerns remain**, particularly with businesses with high consumption activities such as manufacturing (laser machining) and some hospitality (food preparation).
- **Deal activity declined in the Midlands during the first half of 2023** in line with the rest of the UK, according to a report from Experian Market IQ. The volume of transactions in the region has fallen by approximately 26 per cent so far this year. At 404, the H1 2023 figures are **"significantly" below the average first half volume record over the last decade**, with the second lowest deal count over the period.
- The most **active legal adviser in the Midlands in this time period by volume was Harrison Clark Rickerbys with 23 deals, followed by Higgs (22), Shoosmiths (15) and Eversheds Sutherland (14).** The report found that the most active financial adviser was K3 Capital with 34, followed by RSM (16), Mazars (13), Grant Thornton, Altius Group, and PKF (nine).
- **West Midlands businesses accounted for 9 per cent of administrations in the first six months of 2023** – the fifth highest region in the UK – according to analysis by law firm Shakespeare Martineau. A total of 759 businesses, 69 of which came from the West Midlands, filed for administration between 1 January and 30 June 2023, marking a 22 per cent increase compared to 2022. Retail, manufacturing, construction, hospitality and real estate were the worst-hit sectors.

Labour Market

- **Permanent staff appointments declined at their fastest rate for three months during July**, according to a report from KPMG and REC. The KPMG and REC, UK Report on Jobs: Midlands showed that the number of people placed into permanent roles across the Midlands fell "solidly", while temp billings expanded at the quickest rate for almost a year. There were reports that **firms were hesitant to commit to permanent hires due to economic uncertainty, as well as shortages of skilled candidates.**
- This reflects **"unrelenting workforce pressures"** that are hitting businesses and the economy according to the British Chambers of Commerce. This is reflected in ongoing feedback from business support organisations about a lack of available talent holding businesses back, as they have the contracts but cannot recruit sufficiently to fulfil them.
- Whereas new analysis by the Trades Union Congress suggests **1 in 8 workers (12.5%) in the West Midlands are in insecure work.** Across the region this amounts to 351,300 workers in insecure work, characterised by low pay, variable hours and fewer rights and protections for workers. This is a higher proportion than nationally (1 in 9). Black and minority ethnic (BME) workers are disproportionately affected by the growth of insecure work (18% compared to 11% of white workers).
- Other issues such as **strike action continue to impact the economy and reflect some divides in private sector pay vs public sector pay**, as explored by the Resolution Foundation in its latest

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HEADLINES	
SECTOR	**KEY INSIGHTS**
	Labour Market Outlook. Positively, NIESR analysis of ONS wage data demonstrates **record wage growth in Q2, higher in the private sector.** • **Gender balance is becoming a more frequent topic of discussion as businesses** that traditionally employ more male or female staff look to attract the other. Some working with education institutions to showcase career paths to students at a younger age. • In order to support tackling issues in the labour market, the **West Midlands and Warwickshire Local Skills Improvement Plan (WMW LSIP) has now been approved by government,** with more than £10m of funding available in the region to achieve its aims.
Manufacturing	• Manufacturers reported the **sharpest fall in output volumes since September 2020, according to the CBI's latest Industrial Trends Survey.** Motor vehicles & transport equipment, mechanical engineering, paper, printing & media, and chemicals sub-sectors drove the decline in output over the three months to August. Looking ahead, **output volumes are expected to stabilise in the next three months.** • However, **easing price pressures will bring some relief to many manufacturing firms and the broader economy**. CBI found that expectations for average **selling price inflation were at their softest since February 2021** (+8%, from +18% in July; long-run average of +7%), while S&P's manufacturing survey reported the biggest fall in output prices since February 2016. • UK automotive has continued its post-COVID recovery, with **car production up 31.6% in July according to the SMMT, marking the sixth consecutive month of growth**. Despite this growth, a positive sign for the region given its automotive / wider manufacturing supply chain strengths, **output remained -29.4% lower than pre-pandemic July 2019.** Electrified models are increasingly driving volumes, but UK automotive – led by SMMT – have called for an industrial strategy to help secure the full potential of the electric vehicle market
Construction and Infrastructure	• Approximately 4,280 UK construction businesses became insolvent in the 12 months leading up to June this year, according to data from the government's Insolvency Service. According to a report from the Financial Times, this **marks a 16.5% increase compared with the same period a year earlier.** • The **rising costs of materials, compounded by planning delays and shortages in skilled labour**, have compounded contractors' financial woes. Furthermore, **mortgage rate increases are driving demand down with** builders are struggling to sell homes. • **Smaller, specialised subcontractors have borne the brunt of the impact**, making up around 60% of the total insolvencies. However, **main building contractors have also been severely affected**, unable to offload their challenges onto others within the supply chain. While certain construction material prices have slightly receded from the peaks reached after geopolitical events like Russia's invasion of Ukraine, **they still remain substantially elevated.**
Retail, Hospitality and Tourism	• UK **retail sales volumes fell in the year to August for a fourth consecutive month**, and at the fastest pace since March 2021, according to the latest quarterly CBI Distributive Trades Survey. Sales are expected to contract again next month, albeit at a slower pace. • Looking at July, British Retail Consortium analysis **shows a sharp fall in retail sales during July, with volumes declining by 1.2%.** The sixth wettest July since 1836 had a huge impact on footfall, reducing the overall number of shopping trips. With August not being much better, it was a **summer to forget for many retailers**. • There is also widespread concern for the local and national hospitality industry. According to figures from the Campaign for Real Ale, **pubs in the UK closed at the rate of 30 a week in the first half of this year.** • **FSB has launched a "Tinsel List" of asks to support UK tourism, hospitality and retail in the run up to Christmas** season. They include raising the **VAT threshold, increasing the Small Business Rates Relief, and measures to ensure cheaper energy costs** and better wider conditions relating to transport.
Economy-wide	• Several more **cluster snapshot reports have been published by the Midlands Engine**, including automotive, ceramics, metals and materials, space technologies, and disruptive technologies for professional and financial services. They can be found here: https://midlandsengine.org/resource-library/?keywords=cluster&date=

New Economic Shocks

NEW ECONOMIC SHOCKS			
COMPANY	LOCATION	SECTOR	DETAIL
Wilko	Nationwide	Retail	The administrators of collapsed retail chain Wilko have revealed which 52 stores are set for closure in mid-September. For the West Midlands, Wilko's Brownhills and Stafford stores will shut on September 12, and Walsall and Uttoxeter will close on September 14, impacting 74 jobs. Administrators said they are "committed to preserving as many jobs as possible" as active discussions are ongoing with interested parties looking to purchase parts of the business.
Metalast	Dudley	Manufacturing	A buyer is being sought for a Dudley supplier of ballast and counterweight products that has seen sales hit by the war in Ukraine. RSM UK Restructuring Advisory has been appointed administrators of Metalast at Blackbrook Valley Industrial Estate, Narrowboat Way.
Buckingham Group	Willenhall / Darlaston	Construction	One of the main contractors behind the project to deliver new railway stations in Willenhall and Darlaston (and Birmingham City's Tilton and Kop stands) has filed for administration. Buckingham Group said huge losses on major contracts has resulted in the company not being able to continue trading currently.
Wider Housing Market	Region-Wide	Housing	Economic uncertainty is deterring buyers, says housebuilder Crest Nicholson. The housebuilder said that it had faced bad conditions, which got worse in recent weeks, as interest rates continue to rise. It said that when homes sell, the prices have not changed much. This is because there are not many people selling at the moment, so the supply is low, helping to keep prices higher.

New Investment, Deals and Opportunities

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
COMPANY	LOCATION	SECTOR	DETAIL
PGS Group	West Bromwich	Logistics	A logistics group has launched a new warehouse in the Black Country, creating more than 50 jobs. PGS Group has opened the 80,000 sq ft facility in West Bromwich from where it will run a parcel and pallet delivery operation. The warehouse, which will run on solar-power for at least 80 per cent of the year, adds to the group's growing portfolio of sites which now sits at more than 650,000 sq ft of space across the West Midlands.
Supply 2 Location	Wednesbury	Film and TV	A specialist support company to the film and television production sector has agreed a deal to create a Midlands regional hub. Supply 2 Location Group has agreed a lease on warehouse units 5-6 at Franchise Street, Wednesbury. The property offers warehouse accommodation with a self-contained yard. It has a gross internal floor area of just under 6,000 sq ft.
Atkore	West Bromwich	Manufacturing	A global manufacturer has secured a warehousing and logistics hub in West Bromwich following a deal agreed with investment group Topland. Atkore is to move into a £5m speculative industrial facility at Delta Point Estate imminently, a move aimed at complementing its other premises on the 325,000 sq ft scheme. The company, which specialises in the manufacture of electrical conduits and fittings, cables and cable management systems and infrastructure and security products, has signed a ten-year lease agreement with no break clause.
Hortons' Estate	Coseley	Industrial / Warehouse Development	Independent property company, Hortons' Estate has secured more than 51,000 sq ft of lettings at a newly refurbished industrial estate in Coseley. The Birmingham-based firm has let three

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
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			industrial/warehouse units at the multi-let Wellington Industrial Estate on Bean Road. The largest of the lettings has been agreed with Hy-Ten Reinforcement, a leading stockist and fabricator of concrete reinforcement bar, mesh and accessories.
Pegasus Group	Bobbington / Stourbridge	Airports	An airport near Wolverhampton and Dudley has changed hands as part of a £4.5 million deal. Wolverhampton Halfpenny Green Airport near Bobbington began life as an RAF airfield in 1941. The Stourbridge-based Pegasus Group is the new owner. Pegasus and Halfpenny Estates, based in Droitwich, have bought Stockstame and its four subsidiary companies which included the 400-acre airfield.
Chemique Adhesives	Walsall	Manufacturing	Following continued year-on-year growth, Chemique Adhesives, a UK manufacturer of industrial adhesives and supplier of adhesive application equipment, has implemented its expansion plan and moved into a new 1200m2 facility. The new unit is being utilised for raw material and finished goods storage, and extra racking has also been installed, creating over 700 pallet spaces.
SCC	Birmingham	Technology	Technology solutions and services firm SCC has made a majority investment in a Sheffield digital engineering consultancy, as it looks to build a 2,000-person European digital consultancy within the decade.
Aurrigo	Coventry	Aerospace	Aurrigo International is set to develop an autonomous electric vehicle, designed to move heavy cargo loads in partnership with a global logistics company. The Coventry-based transport tech firm is set to create Auto-Cargo over the next 14 months at East Midlands Airport – the UK's second-largest cargo terminal.
Thursfields	Birmingham	Legal	A law firm, Thursfields, has recently expanded to larger premises in the heart of Birmingham. The new office is located on the corner of Colmore Row and Bennetts Hill.
Caddick Construction	Birmingham	Construction	Birmingham's Northspring | Temple Street has welcomed Caddick Construction as its latest tenant. The company will move into the fourth floor of the building.
AP Colmore	Birmingham	Development	More than 3,600 jobs could be created after plans were submitted for the partial demolition and extension of the Colmore Gate building. Rather than redevelop, AP Colmore (a subsidiary of Ashtrom Properties), is working alongside Lichfields and Buckley Gray Yeoman (BGY) architects to refurbish and extend the existing building to create a 26-storey tower and a 10-storey shoulder building for Colmore Row.
Meditelle	Birmingham	Health / Manufacturing	A medical equipment manufacturer, Meditelle, based in Birmingham has been bought by Agile Group Holdings.
Barberry Group	Oldbury	Development	Development and investment company Barberry Group has completed the purchase of Mecca Bingo, at 50 Halesowen Street, Oldbury, Sandwell, in a £5.92 million deal as part of a high quality income-producing "value add" opportunity.
Praxis / Veld Capital	Birmingham	Development	A commercial campus in Birmingham city centre which comprises office, retail, hospitality and leisure space and is home to a range of national brands has been acquired in a deal worth £125m. Praxis, a UK property investment and management platform, and Veld Capital, a private credit specialist investor, have swooped for Brindleyplace from HSBC Alternative Investments.
Novus Renewable Services	Warwickshire	Renewables	An 80-acre solar farm proposed for Warwickshire has been green lit. The application has been supported by Loughborough-based specialist land development and property consultancy Mather Jamie.

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

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
COMPANY	**LOCATION**	**SECTOR**	**DETAIL**
			Novus Renewable Services, a solar PV development company, has been granted permission by Nuneaton and Bedworth Borough Council to develop, construct and operate a solar project at Tolldish Hall Farm, North East of Aldermans Green.
Format Ltd	Coventry	IT	A computer server supplier which counts one of the world's largest scientific experiments as a major client has moved to Coventry and is eyeing growth. Format Ltd, originally from Poland, programmes and assembles servers for high performance computing (HPC) clients, which typically involve high demands on processing power and data storage. Format has moved to the Vanguard Centre, part of the University of Warwick Science Park to grow its presence in the UK market and reach out to customers across the globe.
Vigour	Coventry	Motorsport	Vigour, a manufacturing and engineering business in Coventry which counts Formula 1 teams among its clients, is eyeing growth after receiving support for its expansion plans.
Squab Storage	Warwickshire	Storage	A business centre and self-storage company has announced a major expansion after completing the purchase of a new site in Warwick. Squab Storage, which has its headquarters in Leamington, has purchased a site at Tournament Fields Business Park and will have invested close to £3.5 million in the facility once it has been converted to a self-storage operation.
Coventry University / Frogmore	Coventry	Accommodation	Coventry University has sold a 627-bed hall of residence with “significant” asset management opportunities for an undisclosed sum to real estate fund manager Frogmore. The property will be refurbished and managed by specialist student accommodation provider The Mansion Group.
University College Birmingham	Birmingham	Batteries	University College Birmingham will lead the way in a regional partnership delivering a new project aimed at re-skilling, upskilling and growing new skills in battery manufacturing and innovation. Following a successful bid for over £1.2m in funding from the Innovate UK Faraday Battery Challenge, the Digital Enhanced Battery Ubiquitous Training-West Midlands (DEBUT-WM) project brings together regional experts from universities, local government and industry to deliver the pioneering level 2 and level 3 training programme
KJ Fasteners	Dudley	Engineering	A Dudley-based bolting specialist has been sold to a Gateshead-based industrial fasteners company. KBS Corporate has overseen the sale of KJ Fasteners to a Gateshead-based industrial specialist.

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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This programme of briefings is funded by the West Midlands Combined Authority, Research England and UKRI (Research England Development Fund)

The West Midlands Regional Economic Development Institute
and the
City-Region Economic Development Institute
Funded by UKRI