West Midlands
Economic Impact Monitor

Issue 108 Publication Date 16/11/23

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.

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

Global, National and Regional Outlook

Alice Pugh, WMREDI

Global

IMF World Economic Outlook

The IMF World economic outlook report for 2023 was released last month. The key findings were:

Global recovery remains slow, with growing regional divergences and little margin for policy error

The baseline forecast is for global growth to slow from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024, well below the historical (2000–19) average of 3.8 percent. Advanced economies are expected to slow, with growth reducing from 2.6 percent in 2022 to 1.5 percent in 2023 and 1.4 percent in 2024 as policy tightening starts to bite. Emerging market and developing economies are projected to have a modest decline in growth from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024. Global inflation is forecast to decline steadily, from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024, due to tighter monetary policy aided by lower international commodity prices. Core inflation is generally projected to decline more gradually, and inflation is not expected to return to target until 2025 in most cases.

Monetary policy actions and frameworks are key at the current juncture to keep inflation expectations anchored. Chapter 2 of the Outlook documents recent trends in inflation expectations at near- and medium-term horizons and across agents. It emphasizes the complementary role of monetary policy frameworks, including communication strategies, in helping achieve disinflation at a lower cost to output through managing agents' inflation expectations. Given increasing concerns about geoeconomic fragmentation, Chapter 3 assesses how disruptions to global trade in commodities can affect commodity prices, economic activity, and the green energy transition.

World Economic Outlook Projections

	2022	2023	2024
World Output	3.5	3.0	2.9
Advanced Economies	2.6	1.5	1.4
United States	2.1	2.1	1.5
Euro Area	3.3	0.7	1.2
Germany	1.8	-0.5	0.9
France	2.5	1.0	1.3
Italy	3.7	0.7	0.7
Spain	5.8	2.5	1.7
Japan	1.0	2.0	1.0
United Kingdom	4.1	0.5	0.6
Canada	3.4	1.3	1.6
Other Advanced Economies	2.6	1.8	2.2

(Real GDP growth, annual percent change)

Geopolitics

With war in the Middle East involving Israel and Gaza and the scale of the humanitarian crisis, there is concern that the conflict could widen. If the ongoing conflict were to widen and spread into surrounding countries such as Iran, this would lead significant economic crises, as oil prices would likely rapidly increase. Bloomberg Economics forecasts that oil prices could rise to $150 a barrel and a fall of global growth to 1.7%. Given, the ongoing energy supply crisis many countries are already restricting oil supply, if the conflict widens it could have significant implications for the energy market and could halt progress, and may be even reverse progress, towards lower inflation.

National

Consumer price inflation, UK: October 2023

This is an ONS release, detailing the price indices, percentage changes, and weights for the different measures of consumer price inflation. In the latest release on 15th November 2023 the key findings were:

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.7% in the 12 months to October 2023, down from 6.3% in the 12 months to September 2023.
- On a monthly basis CPIH rose by 0.1% in October 2023, compared with a rise of 1.6% in October 2022.
- The Consumer Prices Index (CPI) rose by 4.6% in the 12 months to October 2023, down from 6.7% in the 12 months to September 2023.
- On a monthly basis, CPI did not change in October 2023, compared with a rise of 2.0% in October 2022.
- The largest downward contribution to the monthly change in both CPIH and CPI annual rates came from housing and household services, where the annual rate for CPI was the lowest since records began in January 1950.
- The second-largest downward contribution to the monthly change in both CPIH and CPI annual rates came from food and non-alcoholic beverages where the annual rate was the lowest since June 2022.
- Core CPIH (excluding energy, food, alcohol and tobacco) rose by 5.6% in the 12 months to October 2023, down from 5.9% in the 12 months to September 2023; the CPIH goods annual rate fell from 6.2% to 2.9%, while the CPIH services annual rate fell from 6.3% to 6.2%.
- Core CPI (excluding energy, food, alcohol and tobacco) rose by 5.7% in the 12 months to October 2023, down from 6.1% in September; the CPI goods annual rate fell from 6.2% to 2.9%, while the CPI services annual rate fell from 6.9% to 6.6%.

Producer price inflation, UK: October 2023

This is an ONS release detailing the changes in the prices of goods bought and sold by UK manufacturers, including price indices of materials and fuels purchased (input prices) and factory gate prices (output prices). In the latest release on 15th November 2023 the key findings were:

- Producer input prices fell by 2.6% in the year to October 2023, down from a revised fall of 2.1% in the year to September 2023.
- Producer output (factory gate) prices fell by 0.6% in the year to October 2023, down from a revised increase of 0.2% in the year to September 2023.
- On a monthly basis, producer input prices rose by 0.4% and output prices rose by 0.1% in October 2023.
- Inputs of fuel, and outputs of food products provided the largest downward contributions to change in the annual rates of input and output inflation, respectively.
- While annual producer price inflation rates have generally been negative since June 2023, with prices in some sectors falling, the index levels for both input and output prices remain substantially higher than their 2021 levels, which is the last time producer price inflation was stable.

Economic activity and social change in the UK, real-time indicators: 9 November 2023

This is an ONS release detailing the early experimental data on the UK economy and society. In the latest release on 9th November 2023 the key findings were:

- Consumer behaviour indicators showed mixed activity in the latest period, with UK spending on debit and credit cards increasing in the latest week by 2%; meanwhile, UK footfall decreased to 96% of the level of the previous week (Bank of England CHAPS, Springboard).
- The total number of online job adverts decreased by 2% when compared with the previous week and were 7% below the level in the equivalent period of 2022 (Adzuna).
- Both the System Price of electricity and System Average Price (SAP) of gas decreased when compared with the previous week by 24% and 9%, respectively; compared with the equivalent week of 2022, the System

Price of electricity was 24% lower, whereas the SAP of gas was 8% higher (Elexon, National Gas Transmission).
- The average number of daily ship visits to major UK ports decreased by 7% and the daily average number of UK flights decreased by 11% when compared with the previous week; meanwhile, traffic camera activity for cars in London fell by 2% in the week. (exactEarth, EUROCONTROL, Transport for London).

Public opinions and social trends, Great Britain: 18 to 29 October 2023
This is an ONS release providing social insights on daily life and events. In the latest release on 10th November 2023 the key findings were:
- When asked about the important issues facing the UK today, the most commonly reported issues continued to be the cost of living (89%), the NHS (84%), the economy (72%), climate change and the environment (59%) and housing (58%).
- Nearly half (49%) of adults reported international conflict as an important issue facing the UK; this has increased from 38% in the previous period (4 to 15 October 2023).
- Around a half (49%) of adults reported that their cost of living had increased compared with a month ago; this has decreased from four in five adults (80%) during a similar period one year ago (12 to 23 October 2022).
- Among those currently paying rent or a mortgage, 4 in 10 (40%) reported that their rent or mortgage payments had gone up in the past six months; this was 32% during a similar period one year ago (12 to 23 October 2022).
- Among those who are currently paying rent or a mortgage, 35% reported finding it very or somewhat difficult affording these payments; this was 33% during a similar period one year ago (12 to 23 October 2022).
- Of those who pay energy bills, just below 4 in 10 (39%) adults reported it being very or somewhat difficult to afford energy bills; this was 42% during a similar period one year ago (12 to 23 October 2022).

UK trade: September 2023
This is an ONS release detailing the total value of UK exports and imports of goods and services in current prices. In the latest release on 10th of November 2023 the key findings were:
- The value of goods imports decreased by £2.9 billion (6.2%) in September 2023, with falls in imports from both EU and non-EU countries.
- The fall in imports was mainly the result of lower imports of machinery and transport equipment from the EU and reduced fuel imports from non-EU countries.
- The value of goods exports decreased by £0.9 billion (2.9%) because of falls in exports to both EU and non-EU countries.
- The total trade in goods and services deficit narrowed by £7.1 billion to £6.0 billion in Quarter 3 (July to Sept) 2023. This was the result of a substantial fall in imports; the total trade deficit has declined steadily since Quarter 2 (Apr to June) 2022 when it stood at £26.9 billion.
- The trade in goods deficit narrowed by £7.0 billion to £44.2 billion in Quarter 3 2023, while the trade in services surplus widened by £0.1 billion to £38.3 billion.

Business insights and impact on the UK subnational single-site economy: November 2023
This is an ONS release providing experimental estimates from the voluntary fortnightly business survey (BICS) on trading status, financial performance, workforce and business resilience. In the latest release on 9th November 2023 the key findings were:
- In August 2023 27% of trading UK single-site businesses reported a decrease in turnover compared with the previous month, broadly stable with August 2022 (26%).
- Scotland was the country that reported the largest rise in the proportion of trading UK single-site businesses experiencing a decrease in monthly turnover between August 2022 and August 2023, up from 24% to 26%, while Wales experienced a fall from 28% to 27%.
- Wales saw the largest fall of all UK nations in the proportion of single-site businesses reporting an increase in the prices of goods or services they bought compared with the previous month between August 2022 and August 2023, down from 53% to 25%, while Scotland reported the largest fall for prices sold, down from 21% to 11%.

- Scotland was the nation that reported the largest proportion of worker shortages in late September 2023 at 16%, while London reported the smallest proportion of any region (7%), with these percentages down from 19% and 16%, respectively, from late September 2022.
- All four UK countries reported a fall in the proportion of single-site businesses affected by industrial action in August 2023, following peaks in December 2022, with England experiencing the largest decrease of 11 percentage points from 17% to 6%.
- There are interactive maps in Sections 3, 4, 5 and 6, which allow users to explore how business impacts differ by geography, based on Business Insights and Conditions Survey Wave 65 to Wave 92 weighted single-site estimates.

UK House Price Index: September 2023

This is an [ONS release]() on monthly house price inflation in the UK. In the latest release on 15th November 2023 the key findings were:

- Average UK house prices decreased by 0.1% in the 12 months to September 2023 (provisional estimate), down from an increase of 0.8% (revised estimate) in the 12 months to August 2023.
- The average UK house price was £291,000 in September 2023, which was little changed from 12 months ago but above the recent low in March 2023.
- Average house prices over the 12 months to September 2023 decreased in England to £310,000 (negative 0.5%), decreased in Wales to £215,000 (negative 2.7%), but increased in Scotland to £195,000 (2.5%).
- Average house prices increased by 2.1% to £180,000 in the year to Quarter 3 (July to Sept) 2023 in Northern Ireland.
- The North East saw the highest annual percentage change of all English regions in the 12 months to September 2023 (1.6%), while the South West saw the lowest (negative 1.6%).

Index of Private Housing Rental Prices, UK: October 2023

This is an [ONS release]() on the experimental price index tracking the prices paid for renting property from private landlords in the UK. In the latest release on 15th November 2023 the key findings were:

- Private rental prices paid by tenants in the UK rose by 6.1% in the 12 months to October 2023, up from 5.7% in the 12 months to September 2023.
- Annual private rental prices increased by 6.0% in England, 6.9% in Wales, and 6.2% in Scotland in the 12 months to October 2023.
- Within England, London had the highest annual percentage change in private rental prices in the 12 months to October 2023 at 6.8%, while the North East saw the lowest at 4.7%.
- London's annual percentage change in private rental prices was at its highest annual rate since the London data series began in January 2006.

Regional

Birmingham Economic Review 2023: A Year of Resilience

The Review highlights a distinct period of uncertainty that the city-region is experiencing, with ongoing high inflation, high interest rates, labour market pressures and political turbulence. However, it also highlights the opportunities for growth and innovation that are available to the city region. Below is a brief highlight of the contents of the Birmingham Economic Review (BER):

Economic Turbulence Continues to Challenge Individuals and Businesses

- Pressure to raise prices: in [Quarter 2 (Q2)]() 2023, 45% of Greater Birmingham businesses expected their prices to rise over the next 3 months, however, 53% expected prices to stabilise – marking the first time since Q3 2021 that more firms expected prices to remain the same than to increase.
- The cost of living crisis continues: the Organisation for Economic Co-operation and Development expects UK inflation to average 7.2% in 2023, mainly driven by increases in the costs of energy and food. This is the highest rate in the G7 and the third highest in the G20.
- Interest rates increase: the Bank of England raised interest rates 14 consecutive times between December 2021 and August 2023 to curb spending and bring inflation down to its 2% target, severely impacting

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

mortgages and rental prices. At the time of writing interest rates have now stabilised at 5.25%. The Bank has warned that rates will remain high for at least 2 years.

- Businesses remain confident: in Q2 2023, 65% of Greater Birmingham firms anticipated an increase in their turnover in the following 12 months and 58% expected an increase in profitability over the next year.

Population: A Young and Diverse City

- Young and diverse: more than 1 in 5 Birmingham residents are aged 0-15 years, and almost 1 in 3 are members of an ethnic minority.
- Skill attainment remains below the national average: 10.9% of economically active people aged 16 and over in Greater Birmingham have no qualifications, compared to 8.9% across England. The city region also has a shortfall in residents with NVQ Level 4+ qualifications – 38.7%, compared to 42.0% nationally. However, compared to pre-pandemic qualification rates from NVQ Level 1 to 4+ have improved in the city-region.
- A rise in economic inactivity contributes to tight labour markets: economic inactivity in the city region rose from 2020 to 29.2% in 2022. Looking after a family/home accounted for 0.9% more cases in Greater Birmingham in 2022 compared to 2021, likely due to an estimated 16% increase in childcare costs nationally.
- High levels of deprivation: Birmingham is ranked as the 7th most deprived local authority in England and this remains unchanged since 2015.

Connecting The City with New Opportunities

- High Speed 2: construction of HS2 between Birmingham and Euston is well underway, and it is anticipated that the first HS2 services will run between Birmingham Curzon Street and Old Oak Common in London between 2029 and 2033.
- Deeper Devolution: the WMCA has negotiated a Deeper Devolution deal which will offer wide-ranging new powers and an expected budget windfall of in excess of £1.5bn to level up the region.
- Innovation in the business support landscape: 'Business Growth West Midlands' and a new, West Midlands Innovation Accelerator programme have been launched to support business scale-up and growth in the region.
- The largest share of Foreign Direct Investment (FDI) of all UK regions outside London: the West Midlands recorded 181 FDI projects in 2022/23, an increase of 171% since 2021/22, with overseas investors creating 8,252 jobs – a 48% increase compared to 2021/22. The Birmingham 2022 Commonwealth Games Business and Tourism Programme played a key role in this.
- Record visitor numbers: in the year of the Games, 141.2m visitors came to the West Midlands – a 38% increase since 2021 and a 5% increase compared to 2019. Spending by visitors rose to £14.1bn, a 39% increase since 2021 and a 7% increase compared to 2019.

Read the Birmingham Economic Review in full.

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

West Midlands Combined Authority

Research England

Inflation
Alice Pugh, WMREDI

It has been a year since consumer price inflation (CPI) index reached its highest rate in over 40 years, at 11.1% in October 2022. At the start of 2023 the government stated it would halve inflation from 10.7% at the start of the year, as one of its 'big' five pledges. In figures released this week by the ONS CPI inflation had fallen to 4.6%.

The Office for Budget Responsibility (OBR) was forecasting that if there were no more shocks in the economy this year, then by the end of Q3 2023 (December 2023) inflation would hit 5.3%.

Whilst inflation has indeed fallen below the expected rate for this month, it is largely as a result of changes in demand and supply, not as a result of the introduction of government policy. The two reasons for the fall are largely due to:

Demand changes

- *Interest Rates*: Rises in interest rates by the Bank of England (BoE) has led to reductions in spending. As interest rates rise, it becomes more expensive to borrow capital, costing many people and businesses out from being able to afford to borrow capital. The income generated of savings also rises when interest rates increase. Therefore, it becomes more attractive to save and less attractive to invest and spend.

Supply Changes

- *Lower Energy Prices*: Energy prices have vastly reduced compared to last year. Gas prices are down 31% from 12 months ago and electricity prices are down 15.6%. The main impact of this is reductions in energy input costs for businesses, reducing their overall costs and allowing them to reduce the price of their product, or to increase prices at a slower pace than in previous months.

However, whilst the CPI inflation rate has fallen this does not mean that prices are falling. ***A fall in the inflation rate means prices are still rising - but at a slower rate.*** Thus, if inflation for October 2023 is 4.6%, it means that prices are 4.6% higher than they were last year.

To demonstrate this the table below shows the prices of different food goods for October of each year between 2019 and 2023. As can be seen in the table, whilst the headline figure for inflation has decreased, this still means that the price of food between this year and last has increased. Only three goods have seen decreases in the actual price between this year and last, Margarine (-1.8%), Instant Coffee (-2.36%) and Apples (-1.36%). All these products have experienced deflation, which means the price in October 2023 is lower than the price in October 2022. The majority of products, however, have all seen price increases compared to October 2022. Whilst the increase in prices may be lower between October 2022 and October 2023 than the increase between October 2021 and October 2022, it is still an increase. For example, between October 2021 and October 2022, the total price of the list of goods increased 17.1% from £49.58 to £58.04 but the total price in October 2023 is even higher at £63.53, though this was only an increase of 9.5% from October 2022. Therefore, whilst it is positive that the inflation rate is decreasing, it does not mean prices are going down; it is just the rate that they are going up has slowed.

Shopping Items	**Oct-19**	**Oct-20**	**Oct-21**	**Oct-22**	**Oct-23**	**Y on Y % change**	**% change between August 2019 & August 2023**
White loaf, 800g	£1.02	£1.06	£1.06	£1.30	£1.37	5.38%	34.31%
Margarine, per 500g	£1.43	£1.27	£1.52	£2.22	£2.18	-1.80%	52.45%
Large Eggs, per dozen	£2.25	£2.26	£2.15	£2.92	£3.30	13.01%	46.67%
Cheese, per kg	£7.03	£6.69	£6.22	£7.91	£8.87	12.14%	26.17%
Milk, per pint	£0.44	£0.43	£0.43	£0.65	£0.65	0.00%	47.73%
Tea bags, per 250g	£2.11	£2.00	£2.03	£2.20	£2.42	10.00%	14.69%
Instant Coffee, per 100g	£3.05	£2.78	£3.02	£3.39	£3.31	-2.36%	8.52%

Sugar, per kg	£0.75	£0.72	£0.72	£0.84	£1.15	36.90%	53.33%
Apples, per kg	£1.86	£1.91	£2.37	£2.20	£2.17	-1.36%	16.67%
Bananas, per kg	£0.98	£0.84	£0.81	£0.91	£1.13	24.18%	15.31%
Grapes, per kg	£3.85	£3.66	£3.74	£3.94	£4.19	6.35%	8.83%
Potatoes, per kg	£1.31	£1.32	£1.34	£1.33	£1.43	7.52%	9.16%
Tomatoes, per kg	£2.05	£2.18	£2.36	£2.85	£3.09	8.42%	50.73%
Broccoli, per kg	£1.86	£1.73	£1.68	£1.99	£2.32	16.58%	24.73%
Onions, per kg	£0.79	£0.84	£0.86	£0.84	£1.07	27.38%	35.44%
Mushrooms, per kg	£2.94	£2.98	£3.20	£3.36	£3.48	3.57%	18.37%
Chicken, per kg	£2.73	£2.54	£2.76	£3.43	£3.86	12.54%	41.39%
Sausages, per kg	£5.01	£4.94	£5.21	£5.93	£6.75	13.83%	34.73%
Ham 100 - 125g	£1.90	£2.02	£1.94	£2.47	£2.49	0.81%	31.05%
Best beef mince, per kg	£6.55	£6.34	£6.16	£7.36	£8.30	12.77%	26.72%
Total	£49.91	£48.51	£49.58	£58.04	£63.53		
Year on Year % change		-2.8%	2.2%	17.1%	9.5%		
% change between August 2019 and August 2023					27.3%		

Shrinkflation and Skimpflation – A Permanent Loss in What Your Money can buy

Alice Pugh, WMREDI

Alice Pugh discusses Shrinkflation and Skimpflation and how these have had an adverse effect on consumers.

This blog was originally published in the Birmingham Business School Blog.

What is Shrinkflation?

Shrinkflation is when the size of a product decreases but the price remains constant. It is a discrete way of increasing the price of a product without visibly increasing the price of a product that you see on the shelf. Most consumers often do not realise they have got less for the same price until they have begun using the product.

Additionally, reductions in size are usually incremental over a prolonged period (years), generally meaning consumers do not notice at first.

A strong example of shrinkflation historically has been the reduction in the size of sharing boxes of chocolate such as Quality Street, Celebrations and Roses. In recent months, there have been several reports on products which have been subject to shrinkflation.

Which? investigated products which have fallen foul of shrinkflation these include:

- **Lurpak, 20% smaller**, down from 250g to 200g
- **Penguin and Club biscuit multipacks, 12.5% smaller**, down from eight bars to seven
- **McVite's Digestives, 10% smaller**, down from 400g to 360g
- **Magnum ice creams (4 pack), 9.1% smaller**, 100ml down from 110ml
- **Quality Street, smaller (again) 7.7%**, down 50g from 650g to 600g
- **Pringles, 7.5% smaller**, down to 185g from 200g

Barclays found that in June 2023, 70% of Brits noticed examples of shrinkflation in the products they bought, particularly in goods such as chocolate (46%), crisps (42%), packs of biscuits (37%) and snack bars (32%).

What is Skimpflation?

Whilst shrinkflation largely affects goods, there is another form of inflation that largely impacts services, and this is called 'skimpflation'. Skimpflation is when businesses cut back on the quality or availability of a service or product whilst keeping prices steady. As input prices, which go into producing a product, increase businesses' skimp by spending less on services and materials to maintain profit, the cuts are passed down to the customer, even as prices remain stable.

Examples of skimpflation might be a reduction in labour serving at a fast-food restaurant, leading to a reduction in the quality of service whilst maintaining the price. It could be reductions in the content of cocoa in the production of products containing chocolate, replaced by cheaper sweeteners. Another example might be delivery times for products ordered online increasing, so you pay the same price, but the quality of service is reduced, as the product takes longer to reach you.

The Guardian found a number of products which have been subject to skrinkflation this year, these include:

- **Morrisons Guacamole,** 3% reduction in avocado quantity in the product
- **Aldi Pesto Rosso,** 6% reduction in virgin olive oil quantity and 4% reduction in sun-dried tomato quantity
- **Aldi Bramwels Mayonnaise** listed 9% egg yolk in the ingredients but now it lists 6% egg and 1.5% yolk
- **Bertolli olive oil spread** contained 21% olive oil now contains 10%

Whilst all these products are still the same size, the quality of 'expensive' ingredients has reduced, the result has been a reduction in the quality of the product, whilst maintaining the price of the previous higher quality product.

A downgrade in quality

Barclays found that 52% of Brits had noticed that some of the food and drink products that they buy had been downgraded in terms of the quality of premium ingredients in products, whilst the price remained constant.

Crisps (44%), sweets and chocolate (43%) and cakes and biscuits (36%) were the most frequently reported. Consumers noticed a reduction in the quality of takeaways (22%) and restaurant meals (20%), whilst the price remained constant. Consumers stated that the quality of clothing also declined (44%), toilet rolls (43%) and toiletries/cosmetics (37%). 41% had also noted a decline in the quality-of-service products as well.

All above board

However, neither shrink or skimpflation is illegal. In terms of regulation, as long as a product accurately states the quantity then shrinkflation is fine. In relation to skimpflation, it is reliant on the quantitative ingredient declaration (QUID) regulation, this means that if you have peanut butter, for example, then the main ingredient in terms of quantity has to be peanuts. Therefore, so long as businesses abide by these regulations then it is perfectly legal for them to change the size or ingredients.

This impact of shrinkage and skimpflation is not just short-term. Whilst many businesses have been forced to do this as a result of higher input prices over the past year, it is likely many of these changes will be kept to increase profit margins. Changes in products will most likely result in a permanent hit to households' wallets.

Consumer reaction and brand reputation

Due to the cost-of-living crisis and our money not stretching as far as it used to, consumers are more reactive to these tactics. In response to shrinkflation and skimpflation, Barclays found 29% of consumers chose to buy their favourite products less often and almost a fifth (18%) chose to switch to an alternative brand which had not reduced the size of their product.

Many shoppers are also taking to social media, posting product and service changes online, calling out businesses using these tactics during a cost-of-living crisis.

Brands, particularly premium brands, will have to be careful with these tactics as brand loyalty becomes more unreliable during a cost-of-living crisis. Consumers are quickly switching to cheaper alternatives, particularly if they feel they have been tricked or cheated.

Premium brands may also struggle with recipe changes, as they are usually premium because of their quality. However, nonpremium brands have more leverage on their ability to use these tactics as they are lower cost to begin with.

Ultimately, though consumers are more unreliable during periods of high inflation, as their focus switches towards the best value, they become savvier and are more likely to shop about to find better value for money. Many businesses are playing a dangerous game, and at least in the short-term consumers will react if they feel they are being taken advantage of when times are tough.

Over time consumers will begrudgingly return to their old favourite products, as the cost-of-living crisis eases, and in the long run, businesses will ultimately make more money.

The Wider Socio-Economic Impacts of Firm Insolvencies

Simon Collinson, Matt Lyons and Huanjia Ma, WMREDI

2022 saw the largest number of firm insolvencies (bankruptcies) since 2009 in England and Wales. Professor Simon Collinson, Dr Matt Lyons and Dr Huanjia Ma discuss the impact of this on the Birmingham city-region.

In 2022 we saw the largest number of firm insolvencies (bankruptcies) since 2009 in England and Wales. Building on previous analysis of UK-wide, interregional patterns of insolvencies we examined the impacts of this on the Birmingham city-region.

We found very different effects in different sub-regions, with the manufacturing sector and low-income communities hit hardest, and long-term consequences for the region.

Greater Birmingham is particularly impacted by firm insolvencies

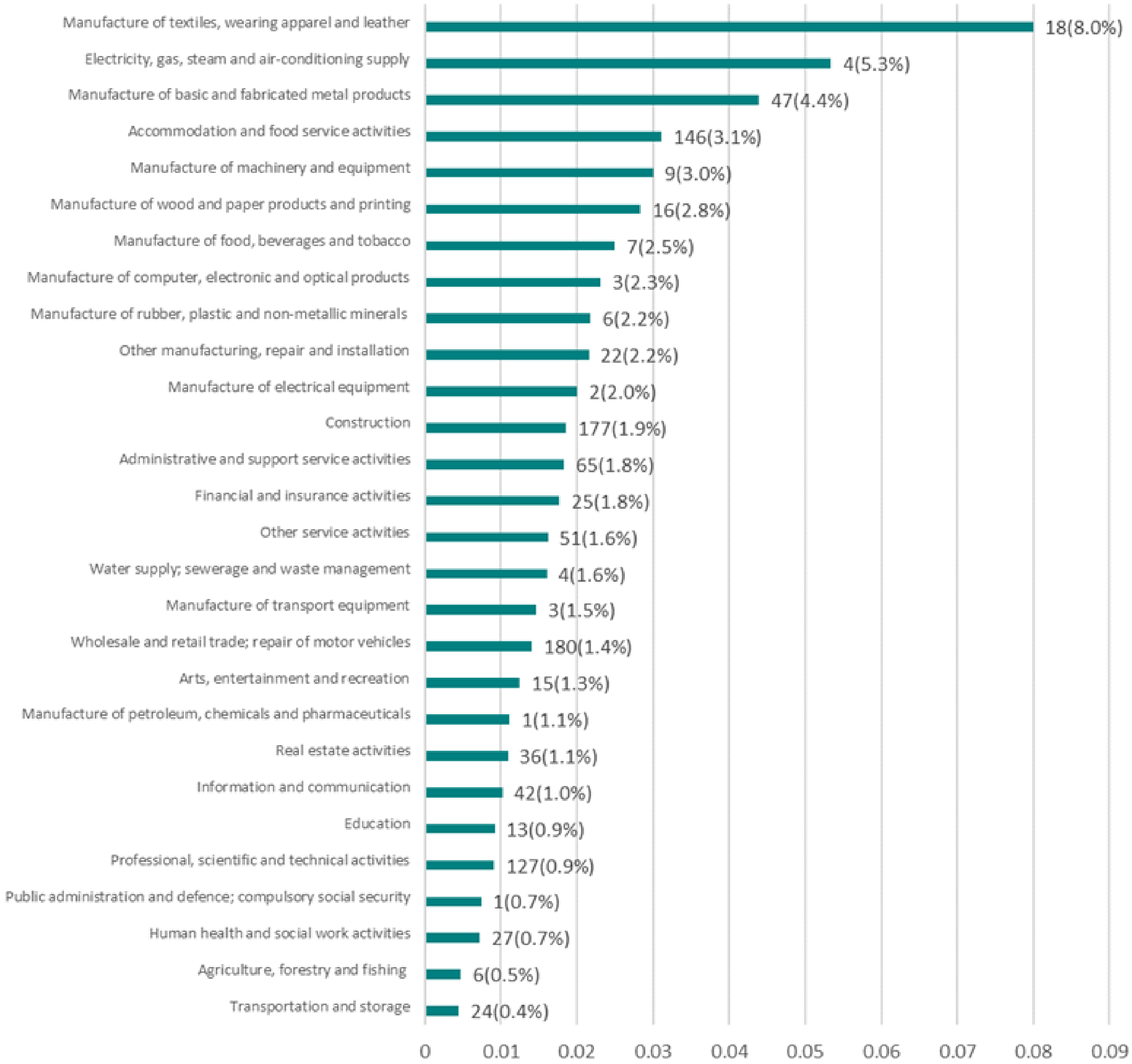
In the Greater Birmingham city-region, the number of insolvent firms in 2022 reached 1,077, accounting for 4.69% of total firms that failed in the UK. This is disproportionate to the 2.69% of UK firms located in this region, showing that it was affected more than many other regions.

We define the Birmingham city region in this analysis as the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) area.

Manufacturing industries have been hardest hit (see figure below), similar to the national level pattern. The four industries, as classified under the SEIM-UK industry classification based on SIC 2007, that experienced the highest percentage of insolvencies in 2022 were: Manufacture of textiles, wearing apparel and leather (8%); Electricity, gas, steam and air-conditioning supply (5.3%); Manufacture of basic and fabricated metal products (4.39%) and Accommodation and food service activities (3.11%). Conversely, the top four industries in terms of the total number of firms were: Wholesale and retail trade; repair of motor vehicles, Construction, Accommodation and food service activities and Professional, scientific and technical activities.

The total number of firms was obtained from the Nomis by the Office for National Statistics, using data with a reference date in March 2022 and sourced from the Inter-Departmental Business Register (IDBR).

Firm insolvencies by sector (GBSLEP)



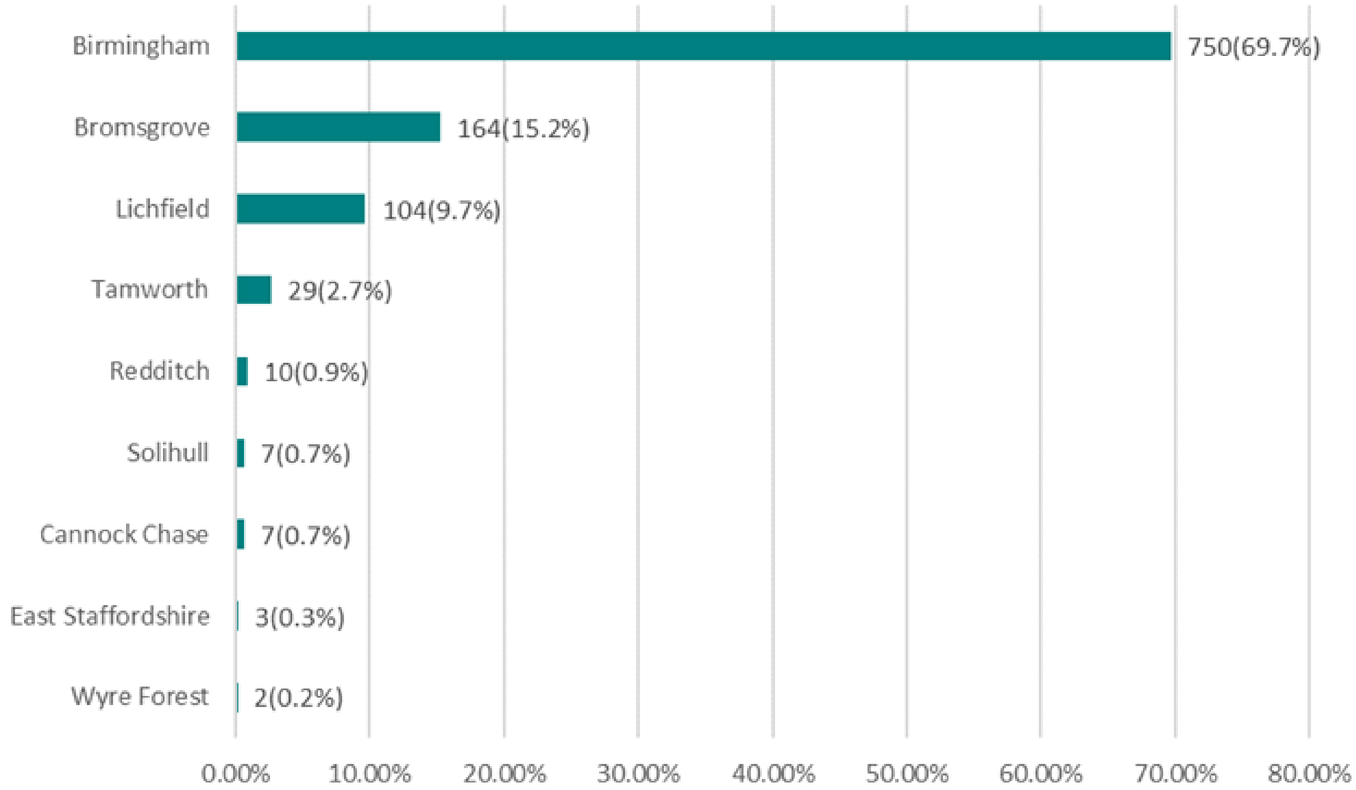
Source: The Insolvency Service and ONS Nomis
Number of insolvent firms and percentage of total firms in the region (in parentheses)

The geographic distribution of insolvent firms is shown in the bar chart below, across the Greater Birmingham area. 69.7% of firms that failed in the Greater Birmingham city region in 2022 are located in the city of Birmingham. Again, this is disproportionate, given that 50.2% of all firms in the GBSLEP area are based in Birmingham.

Bromsgrove and Lichfield were also significantly impacted. Solihull, however, one of the wealthiest sub-regions did not feel much of the impact. While it houses over 10% of all firms in the Greater Birmingham city region, only 0.65% of the firms that went insolvent in the GBSLEP area in 2022 were in Solihull.

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

Firm insolvencies by Local Authority (Greater Birmingham)



Source: The Insolvency Service and ONS Nomis
Number of insolvent firms and percentage of total insolvent firms in the region (in parentheses)

Knock-on effects on the economy and households

When firms fail there is a direct loss of the added value they contributed to the economy. However, there is an additional ripple effect across industries and regions through their upstream and downstream links to customers and suppliers. This can be more or less local, depending on the spatial geography of these industry and firm-specific value chains. We examine these (negative) multiplier effects, created when firms go into bankruptcy, on industries and households in the Greater Birmingham city region using the extended SEIM-UK model, developed at City-REDI.

The wider economic shocks from firm insolvencies are estimated in terms of the percentage change (fall) in final demand, which is approximated by the ratio of the number of employees of insolvent firms and the total number of jobs of each region-industry cell of the model. The model operates on the International Territorial Level 1 (ITL). The overall economic impact on the Greater Birmingham city region is then inferred from the proportion of Gross Value Added (GVA) of the West Midlands (ITL1) region. This also allows us to break down the impact by industry sector.

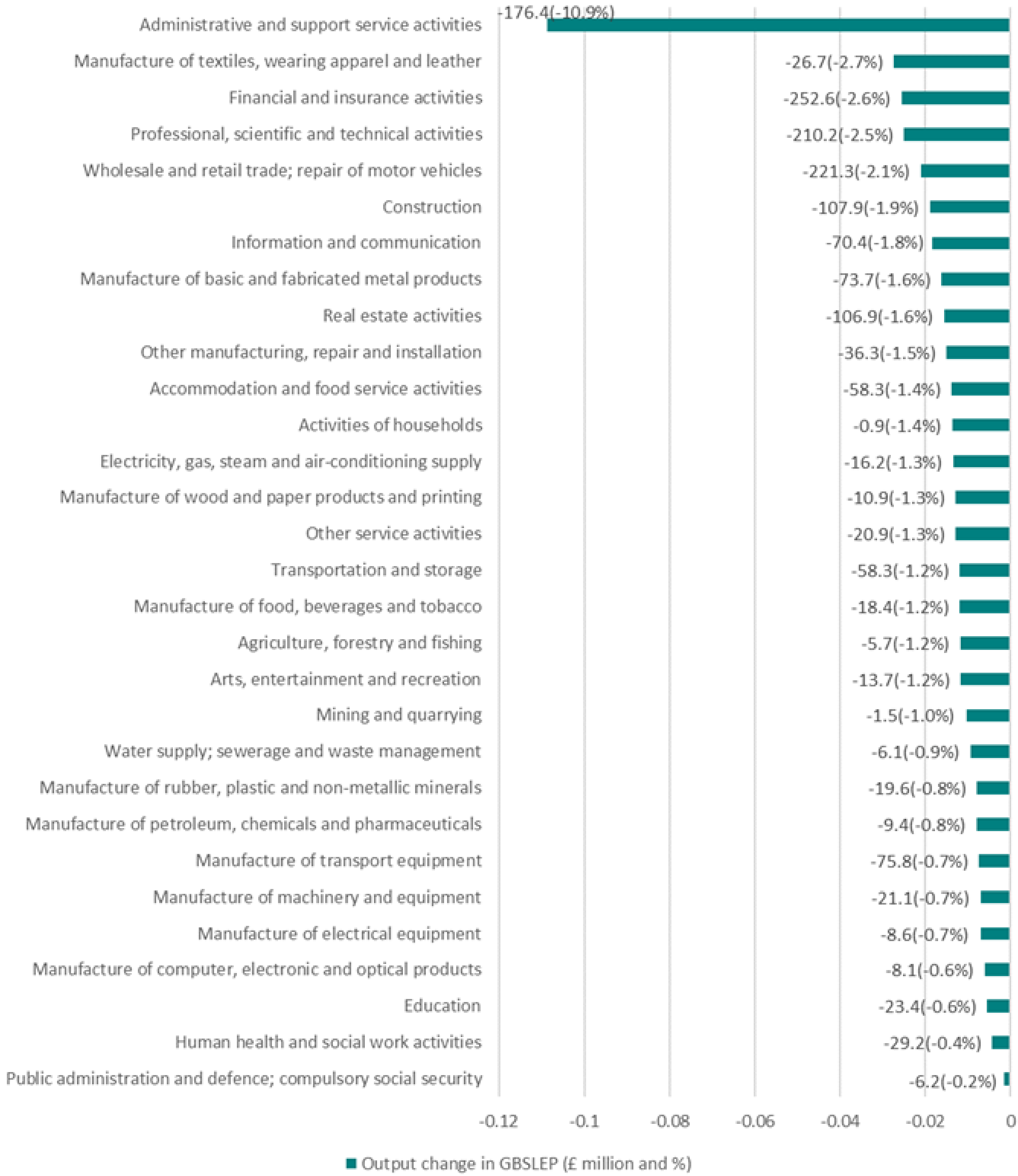
As shown in the figure below, the sectoral view of the impact provides interesting insights into the wider effects of insolvencies. Despite manufacturing sectors seeing the highest rise in insolvencies, the simulation shows that in the Greater Birmingham region, the administrative and support service activities sector is impacted hardest, experiencing a £174.6 million (10.9%) decrease in output.

This demonstrates the cross-sector interdependencies that are a feature of the value chains mapped by the model. The remaining industries in the top 5 most affected industries are: The manufacture of textiles, wearing apparel and leather (£26.7 million and 2.7%), Financial and insurance activities (£252.6 million and 2.6%), Professional, scientific and technical activities (£252.6 million and 2.6%) and Wholesale and retail trade (£221.3 million and 2.1%).

Although the figure does not show this, it is important to also note that the Greater Birmingham city-region is also impacted very heavily, relative to other regions. The output decreases by a larger percentage across almost all industries compared to the national level.

For national estimates, see [The Poorest UK Households are Hit Hardest by the Highest Rate of Firm Failure.]()

Simulated Impact on the Output (Greater Birmingham)

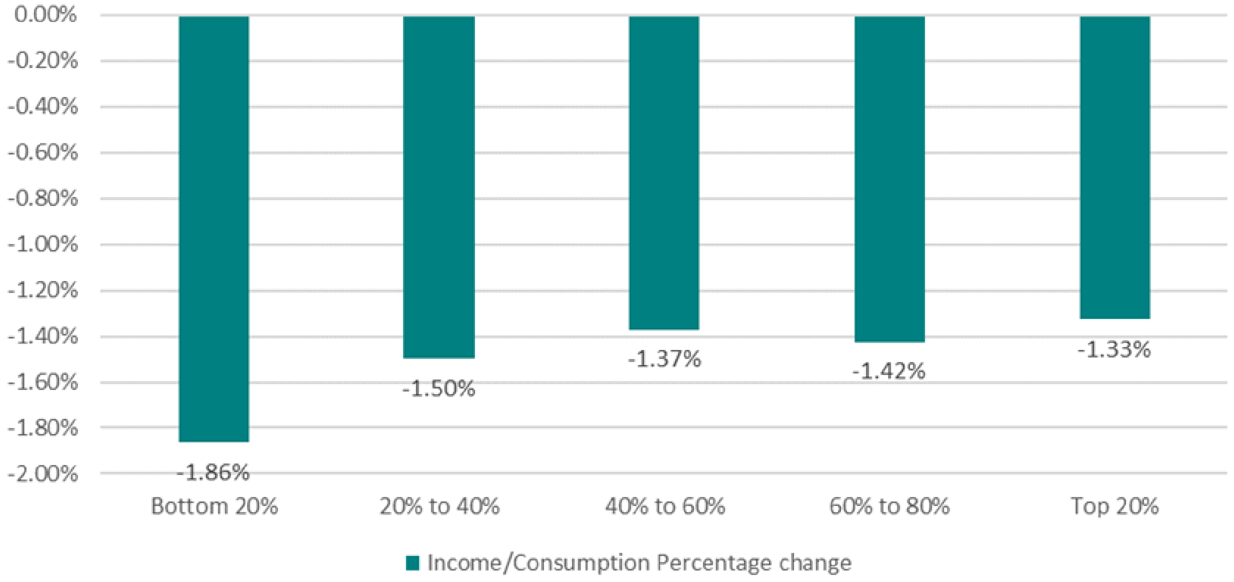


Source: Own Elaboration based on the SEIM-UK model
Output change in £million and percentage (in parentheses)

The extended SEIM-UK model also provides important insights into how economic shocks could influence the income and consumption of different income quintile households. The figure below shows the simulated impact of insolvencies on the percentage change in household incomes in the Greater Birmingham city region. The income and consumption of households in the bottom 20% is projected to decline by 1.86%, which is the largest decrease among all groups. While the top 20% income group would experience a loss of 1.33%, the smallest among all groups.

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

Impact on household income and consumption across income groups (Greater Birmingham)



Source: Own Elaboration based on the SEIM-UK model
Income and consumption changes in percentage

Our estimates also indicate that, compared to the national level, households in this region would lose a higher percentage of their income and consumption across all income groups.

The knock-on effects of firm-level insolvencies, simulated using the extended SEIM-UK model, showed decreased output across almost all industries and a significant impact on household incomes and consumption. However, it is clear that lower-income households in the GBSLEP region suffer the most in terms of percentage loss of income and consumption. In simple terms, this kind of shock, as with so many others, makes poor communities poorer.

Pre-insolvent measure for the 11 Core Cities

Reen Blake Carr, WMREDI

The UK, much like the rest of the world, has been through a turbulent few years – with the advent of Brexit, a global pandemic and a war in Europe. These economic shocks have contributed to a staggering increase in inflation and have caused one of the worse cost-of-living crises in recent memory. These shocks have also caused a huge number of businesses to become insolvent as they have either failed to adapt to rising inflation, rapid economic changes or the cost of living crisis.

Company insolvencies are up 10% from a year ago. This is on track for the highest number of companies going bust since the financial crises in 2009. The number of firms that are in critical financial stress has increased 25% in the last three months, [according to this BBC article](). This is due to the perfect storm of businesses trying to pay back covid business support during a period of high interest rates, combined with high inflation hitting customer spending and impacting businesses' finances.

The purpose of this blog is to use data provided by [Red Flag Alert]() to assess how many businesses are at risk of becoming insolvent using the Red Flag Measure. This measure indicates companies that are at risk of failing or becoming insolvent. One flag would indicate a company that is in danger but can still change its situation. Three flags, the highest level of jeopardy.

The geography used is the local authority level for the 11 Core Cities.

Companies at risk of insolvency in the 11 Core Cities:

Belfast:

Total businesses	Businesses with one red flag	% of total businesses with one red flag
25,309	1,793	7%

Sectors with the most companies with one red flag:

Sector	Number of companies with one red flag	% of total businesses with one red flag
Wholesale and Retail trade, Repair of Motor Vehicles and Motorcycles	280	1.1%
Construction	221	0.87%
Information and Communication	218	0.86%

Birmingham:

Total Businesses	Businesses with one red flag	% of total businesses with one red flag rating
94,140	8,584	9.11%

Sectors with the most companies with one red flag:

Sector	Number of companies	% of total businesses with one red flag
Real Estate	1,182	1.25%
Professional, Technical and Scientific services	1,175	1.24%

Bristol:

Total businesses	Businesses with one red flag	% of total businesses with one red flag
38,609	3,765	9.75%

Sectors with the most companies with one red flag:

Sector	Number of Companies	% of total businesses with one red flag rating
Construction	493	1.27%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	448	1.16%
Information and Communication	494	1.27%
Real Estate	339	0.87%

Cardiff:

Total businesses	Businesses with one red flag	% of total businesses that have a one red flag rating
37,059	2,937	7.92%

Sectors with the most companies with one red flag:

Sector	Number of companies	% of total businesses with one red flag rating
Technical and Scientific activities	509	1.37%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	413	1.11%
Construction	358	0.96%

Glasgow:

Total Businesses	Businesses with one red flag rating	% of total businesses with one red flag rating
52,391	4,318	8.24%

Sectors with the most companies with one red flag:

Sector	Number of Companies	% of businesses with one red flag rating
Construction	458	0.87%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	692	1.32%
Professional, Technical and Scientific Services	771	1.47%
Administrative Support Service	474	0.90%

Leeds:

Total Businesses	Businesses with one red flag	% of total businesses with one red flag rating
63,159	5,993	9.48%

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

Sectors with the most companies with one red flag:

Sector	Number of Companies	% of total businesses with one red flag rating
Construction	724	1.14%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles.	902	1.42%
Information and Communication	633	1%
Professional, Technical and Scientific	1,110	1.75%
Real Estate	621	0.98%

Liverpool:

Total Businesses	Businesses with one red flag	% of total businesses that have one red flag
36,868	3,392	9.2%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses that have one red flag rating
Construction	486	1.31%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	446	1.20%
Real estate activities	410	1.11%

Manchester:

Total Businesses	Businesses with one red flag	% of total businesses that have one red flag
58,713	5,594	9.52%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses that have one red rating
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1,067	1.81%
Information and Communication	506	0.86%
Professional, Technical and Scientific Services	925	1.57%
Real Estate Activities	737	1.25%

Newcastle:

Total Businesses	Businesses with one red flag rating	% of total businesses that have one red flag rating
19,461	1,624	8.3%

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

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses with one red flag rating
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	262	1.35%
Professional, Technical and Scientific Services	224	1.15%
Real Estate Activities	261	1.34%

Nottingham:

Total Businesses	Businesses with one red flag rating	% of total businesses with one red flag rating
23,641	2,168	9.17%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses with one red flag rating
Construction	277	1.17%
Wholesale and Retail Trade; Repair of Motor Vehicle and Motorcycles	329	1.39%
Professional, Technical and Scientific Services	333	1.40%
Real Estate Activities	259	1.09%

Sheffield:

Total Businesses	Number of businesses with one red flag	% of total businesses with one red flag rating
37,642	3,303	8.77%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses with one red flag rating
Construction	453	1.20%
Wholesale and Retail; Repair of Motor Vehicle and Motorcycles	564	1.49%
Professional, Technical and Scientific Services	508	1.34%

The sectors that are most affected in the above tables can be representative of the current economic climate and the impact that the last few years have had on businesses and companies – with the construction sector being one of the hardest hit in recent months with company insolvencies up 46% as compared to three months ago. This is due to higher material costs and higher levels of borrowing which means people cannot justify home renovations currently.

The Wholesale and Retail Trade sector has also experienced its fair share of difficulties, due to rising inflation – a potential reason why the wholesale sector has been experiencing so many red flags is due to retail sales being lower at the end of September as they were down 2.5% compared with February 2020. This reflects the high inflation and borrowing costs which would, in turn, have an impact on the businesses finances in the retails sector.

One of the reasons why sectors are experiencing higher levels of one red flag rating is due to support measures which were used during covid such as furlough and the support loans have kept companies' finances in a relatively healthy position and kept them stable. But support has fallen away when inflation has soared, and interest rates have both hit consumers' pockets and companies bottom lines.

It is also important to note that using a one red flag rating only provides a rough pre-insolvency measure as it is not as critical as a company having a two or three red flag rating as having a one red flag rating allows a company time to still improve its finances and move to a more financially stable position.

Pre-Insolvency Measure for the West Midlands Combined Authority (WMCA)

Reen Blake Carr, WMREDI

Much like how the UK is suffering record levels of insolvencies from the multiple economic shocks like covid, the cost of living crises and inflation - the West Midlands Combined Authority (WMCA) area has also been suffering from these economic shocks. This blog focuses on the local authority areas that make up the WMCA area and examines how many businesses currently have one red flag rating and which sectors are the most affected (see the previous blog on pre-insolvency measures for the 11 core cities).

This blog uses data that has been provided by Red Flag Alert to assess how many businesses are at risk of becoming insolvent using the Red Flag Measure. This measure indicates companies that are at risk of failing or becoming insolvent. One flag would indicate a company that is in danger but can still change its situation. Three flags is the highest level of jeopardy.

WMCA area Local Authorities:

Birmingham:

Total Businesses	Number of Businesses with one red flag rating	% of total businesses with one red flag
94,140	8,584	9.11%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses with one red flag rating
Manufacturing	558	0.59%
Construction	781	0.82%
Wholesale & Retail Trade; Repair of Motor Vehicles and Motorcycles	1,618	1.71%
Accommodation and Food Services	643	0.68%
Information and Communication	634	0.67%
Real Estate Activities	1,182	1.25%

Wolverhampton:

Total Businesses	Businesses with one red flag	% of total businesses with one red flag rating
20,521	1,694	8.25%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total companies with one red flag rating
Construction	225	1.09%
Wholesale & Retail Trade: Repair of Motor Vehicles and Motorcycles	382	1.86%
Professional, Technical and Scientific Services	192	0.93%

Coventry:

Total Businesses	Businesses with one red flag	% of total businesses with one red flag
26,808	2,284	8.51%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses with one red flag
Construction	247	0.92%
Wholesale & Retail Trade: Repair of Motor Vehicles and Motorcycles	448	1.67%
Real Estate Activities	408	1.52%
Professional, Technical and Scientific services	387	1.44%

Dudley:

Total Businesses	Businesses with one red flag	% of total businesses with one red flag
23,010	2,156	9.56%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses with one red flag
Manufacturing	243	1.05%
Construction	369	1.6%
Wholesale & Retail Trade: Repair of Motor Vehicles and Motorcycles	408	1.7%
Professional, Technical and Scientific services	309	1.3%

Sandwell:

Total Businesses	Businesses with one red flag	% of total businesses with one red flag
23,082	1,915	8.29%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses with one red flag
Construction	404	1.7%
Wholesale & Retail Trade: Repair of Motor Vehicles and Motorcycles	386	1.6%
Transportation and Storage	321	1.3%

Solihull:

Total Businesses	Businesses with one red flag	% of total businesses with one red flag
17,114	1,900	11.1%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses with one red flag
Construction	310	1.8%
Wholesale & Retail Trade: Repair of Motor Vehicles and Motorcycles	253	1.4%
Real Estate Activities	254	1.4%

Professional, Technical and Scientific Services	327	1.9%

Walsall:

Total Businesses	Businesses with one red flag	% of total businesses with one red flag
18,259	1,477	8%

Sectors with the most companies with one red flag:

Sectors	Number of Companies	% of total businesses with one red flag
Manufacturing	144	0.7%
Construction	238	1.3%
Wholesale & Retail Trade: Repair of Motor Vehicles and Motorcycles	270	1.4%

For some of the sectors that are experiencing a high number of red flags this reflects current market conditions of high interest rates and inflation. The real estate sector has also experienced challenges with the current economic market as due to higher interest rates and borrowing costs many potential first time buyers and current homeowners who have a mortgage are unable to afford their houses and of course this has a knock on effect to businesses that operate in the retail sector which has seen a 0.4% drop in activity in the latest quarter. Combined with the stagnation of the real estate sector and higher interest rates this reflects the current economic climate for the real estate sector.

The Professional Services sector also has a large number of red flags for businesses per local authority – this can be due to a number of different factors such as increasing energy prices for businesses as energy prices have soared in recent months, which in turn increases a business's running costs meaning they have to spend more on the energy and less is available for profits. It is also important to note that with inflation hitting customers' pockets people may be unable to afford some firms services and as such, may lose clients which can also put firms into a precarious financial position.

It is important to note that using one red flag as an indicator of pre-insolvency is only a rough indicator as it isn't as critical as having two or three red flags that some businesses have and as such, they have time to move towards for a healthy financial position and therefore, have a lower risk of becoming insolvent than companies with two or three red flags. It is also important to note that red flag updates its data quite regularly so the data that is used for this blog is the latest data available.

The King's Speech – The Economic Impact for the West Midlands

Alice Pugh, WMREDI

Alice Pugh discusses the key bills highlighted during the King's Speech and what they might mean for the economy of the West Midlands.

This blog was first posted on the Birmingham Business School blog.

This week the King delivered the first King's Speech since 1951, though the King had previously delivered the speech when the Queen was unable to attend. However, the speech is not written by the King; it is written by the government of the day.

The purpose of the King's speech is for the government to outline their priorities in the months ahead. It marks the start of the parliamentary year. It also gives us a taste of what we can expect to be announced or built upon in the Government's Autumn Statement later in the month.

This King's speech will likely be the last King's speech before the next general election, which must take place by January 2025. There will be a debate on the King's speech, followed by a vote on whether to accept the plans set out in the speech. However, the vote is largely viewed as symbolic, as it is extremely rare for a majority government to lose it, with the last time it was lost being 1924.

In the King's speech this year, 16 bills were outlined. However, there is a longer list of 21 bills and laws within the King's Speech briefing which the Government intends to pass over the next year's parliamentary session. The key announcements within the bill which will likely have an **economic impact on the wider West Midlands region** include:

1. **Offshore Petroleum Licensing Bill**
   This bill will support the licencing of oil and gas projects in the North Sea to be awarded annually. The Government stated within the briefing that the bill will reduce reliance on international oil and gas markets, thus making energy cheaper in the UK, alongside improving energy independence and security in the long run, alongside growing jobs in the sector. However, there is no evidence that increasing licensing within the North Sea will improve energy security or reduce energy bills. This is because the energy market is not publicly owned and therefore, the majority of oil and gas produced in the UK is produced by private entities, which sell their oil and gas at the global market price, set at an international level. Additionally, it was reported that the North Sea Transition Authority has found that new licencing would also do little to reduce Britain's dependence on imports or affect oil or gas prices significantly, given reserves in the basin are declining and oil and gas are trading on the international market. Therefore, it is unlikely that the increasing licencing of North Sea oil and gas will actually lead to decreases in energy bills for West Midlands-based households and businesses.

2. **Trade (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) Bill**
   This bill will enable the UK to join the 11-nation **CPTPP trade pact** with several countries in Asia and the Pacific. The purpose will be to increase trade between the members of the CPTPP, which includes the member states of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. The agreement will also mean both exports and imports are eligible for tariff-free trade, making both exports and imports cheaper from member states. The likely gains incurred by joining the trade partnership will likely be short-term marginal gains. Currently, the UK already has trade deals with the majority of the member states, which were carried over from when the UK was a member of the EU. Even including the changes to trading arrangements made by this agreement, the gains expected will be fairly small, with the government estimating that it will only lead to a 0.08% growth in GDP. It is particularly small considering that the OBR has estimated that the post-Brexit trade agreement with the EU, the 'Trade and Cooperation Agreement' (TCA), will reduce long-run productivity by 4%, relative to having remained in the

EU. Therefore, whilst it does not regain the trade advantages that were offered by the EU, it does offer some opportunity to improve competitiveness in some economic markets for West Midlands' businesses exporting or importing with these markets.

3. **Automated Vehicles Bill**
The bill will set out a legal framework in Great Britain for self-driving cars. The purpose will be to set out a framework to support the safe commercial development of self-driving vehicles. The President of the AA has stated that such a framework will be key to introducing self-driving vehicles, which could reduce the likelihood of crashes, the workload of emergency services and avoidable casualties. However, the Head of Policy at the RAC stated that whilst it is positive that the UK is creating space for the development of this technology, without the wider infrastructure introducing this technology to our roads will be a challenge. The RAC stated that the roads and infrastructure in the UK will need to be updated to ensure that the technology can operate safely on British roads. Since the West Midlands is home to one of the largest automotive industries in the UK, this new framework offers an opportunity for automotive businesses in the region and those in their supply chain, to diversify their product range and enter a new emerging market.

4. **Digital Markets, Competition and Consumers Bill**
This bill aims to strengthen consumer rights online, including tackling fake reviews and subscription traps. The long-awaited bill will create a more level playing field for consumers in the digital economy and ensure they are protected from harmful practices and unfair treatment. The bill will also provide greater power to the Competition and Markets Authority (CMA) to tackle anti-competitive activity. So far, research, policy briefings and reviews have been very supportive of this bill which was announced earlier in the year. Researchers highlighted that not only does the bill give consumers greater protections, but it also provides the CMA with greater enforcement powers to ensure that businesses are in the digital market. Businesses in the West Midlands, therefore, will have to ensure that they are abiding by the new regulation, otherwise, they could be subject to enforcement from the CMA.

5. **Data Protection and Digital Information Bill**
The bill has been introduced to replace the data protection regime the UK inherited from the EU. The aim of the bill is to make the inherited EU General Data Protection Regulation (GDPR) more 'practicable and less burdensome in lower-risk situations', whilst maintaining the high data protection standards ensured under GDPR. The Information Commissioner's Office (ICO) has already highlighted that continued compliance with GDPR will meet the regulations in the new bill, so firms will likely continue as is, particularly as they are unlikely to change policies in just the UK when following GDPR will also get them into the EU market. However, there is the potential that the UK could be seen to be violating EU law, meaning the EU has the potential to revoke the transfer of personal data from the EEA to the UK. The advantages of the changes could mean that businesses in the West Midlands which solely operate within the UK may find it easier to comply with the new bill, as there will be 'less onerous requirements', however, those trading in the EU will still have to abide by EU GDPR regulations to operate there.

6. **Rail Reform Bill**
This bill will create a new body to oversee the railways in Great Britain. This will be an important bill to the West Midlands given it is the logistics and distribution hub of the country and the movement of freight is a significant part of this. However, the bill is yet to be drafted and therefore, little detail has been provided on the development of this bill as of yet.

The majority of bills have already been announced earlier in the year and there has been little development on them. The most significant announcements will likely be made at the Autumn Statement on 22nd November. It is anticipated that the announcements that will be made in the autumn budget will include:

- **Pensions**– The government will likely announce that pensions will rise with inflation in April 2024.
- **Green Stamp Duty rebate**– Following recommendations from the Energy Efficiency Taskforce, it is likely that the government will offer new homeowners who make their properties more efficient within two years a partial stamp duty rebate.

- **Inheritance tax** It is highly likely there will be cuts to inheritance tax (IHT). IHT is currently charged at 40% over the tax-free threshold of £325,000 and affects only around 4% of estates in the UK, with around 1 in 8 people (12%) having to pay inheritance tax at some point.
- **ISA reform**– many economists are forecasting that the Chancellor will make changes to the ISA savings market, to boost investment in the UK, largely by launching cash-and-shares ISAs.

REDI-Updates: How are Consumer Trends Changing in the Cost-Of-Living Crisis?

Juliane Schwarz, WMREDI

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

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

The UK is facing the biggest fall in living standards since 1956. Juliane Schwarz looks at how this is impacting consumer behaviour.

View REDI-Updates.

Analysis of consumer spending level changes over time

Consumer trends, or patterns of shopping habits, change over time and are particularly affected by events such as the Covid-19 pandemic, lockdowns and, most recently, the cost-of-living crisis. In the UK, the cost of living has been increasing since 2021 (Andrews, 2023).

The Consumer Price Index (CPI), measuring consumer prices, was more than 10% higher in July 2022 than in the previous year. Fuelled by high inflation and caused by soaring global energy prices and global supply chain struggles, UK households experienced their biggest fall in living standards in 2022 for decades. The Government forecast from March 2023 indicates that real household disposable income per capita will fall by 3.7% in the 2022/23 fiscal year, the biggest fall in living standards since 1956 (Clark, 2023). This decrease is expected to continue in 20223/24 by 2% and start to rise again by 1.7% in 2024/25.

Changes in goods and services purchases

How does the cost-of-living crisis affect consumer behaviour?

Due to a loss in purchasing power caused by high inflation and below-inflation pay rises, consumers are adjusting their spending habits by trying to spend less:

The Resolution Foundation observes for November 2022 that three-quarters of UK adults are trying to reduce their spending overall (Brewer et.al, 2023).
Barclaycard (2022) analysis of credit card usage for September 2022 suggests that more than half of Brits have cut back on discretionary spending: things like restaurants, new clothes and one-off treats, in order to pay for the essentials.
51% of British consumers are planning to spend evenings at home, 25% are opting to play board games, 20% stream films and box sets, and 19% play video games rather than go out.
Confidence index figures (GFK, 2023 and PwC, 2023.a) indicate a more pessimistic attitude towards spending. Consumers are more careful in their spending on home improvement, holidays and appliances (Curated, 2023).
McKinsey (2022) reports that consumers are changing to cheaper retail stores and switching to private-label alternatives.

In their outlook for consumer spending for 2023, Deloitte (2023) projects that consumers will reduce overall spending in the first half of 2023. They predict that UK consumer confidence will improve in the second half of 2023 if inflation is gradually reduced, the national living wage increases and the labour market continues its trend of high employment. It is further assumed that consumers might continue seeking deals and buy now pay later options, brand loyalty declining, and expecting low-friction returns.

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

Capital borrowing trends amongst consumers

Increase in Wealth

The Money Charity (2023) statistics show that by the end of January 2023, people in the UK owned £1,837.9bn. This has increased by £70.5bn at the end of January 2022. Average earnings have increased by 0.05% to £34,546 from £34,455 in December 2022.

Decrease in Savings

Looking at UK consumer behaviour, a McKinsey (2022) survey conducted between September 23rd and October 2nd 2022, observes that consumers are putting less money into savings as they are expecting to spend more money on energy, transport, food and essentials.

Increase in Borrowing

Deloitte consumer tracker (2023) indicates that consumer credit, which includes borrowing on credit cards, car dealership finance, personal loans and overdrafts, rose by £1.5bn in November 2022, more than double the £700mn borrowed in October. The biggest driver was credit card borrowing, which jumped to £1.2bn in November from £400mn in October. Forecasts show that Household debt of all types is forecast to increase from £2,333bn to £2,478bn in 2025 by the Office of Budget Responsibility (2023).

Debt trends amongst consumers

According to the Money Charity (2023) cost of living statistics, the average total debt per UK household (including mortgage) is £65,434 in Jan 2023. This is an increase from £64,970 in June 2022.

In The Living Standards Outlook 2023, the Resolution Foundation discusses the impact of the cost-of-living crisis particularly the price increase of essentials for low-income families (Brewer ***et.al***, 2023).

In November 2022:

27% of adults reported using their savings for daily living expenses in the previous four weeks. This figure has increased from 20% in June 2022
12% of workers in the lowest income quintile report selling or pawning possessions they would have preferred to keep
7% have cancelled or not renewed their insurance
7% say they have stopped or reduced pension contributions to save money

In terms of debts, the pressure on family budgets means that low-income families are now twice as likely to increase their debts compared with during the Covid-19 pandemic and falling behind on bills.

- 11% of respondents, in general, said that their debts had increased moderately or substantially in the past three months
- 20% per cent amongst workers in low-income families that their debts had increased moderately or substantially in the past three months
- 10% per cent of respondents, in general, have missed at least one payment of a priority bill over the past three months
- 25% of workers in poorer households have missed at least one payment of a priority bill over the past three months

To put this into context, the constituency of Birmingham Hodge Hill is one of the most deprived areas in England (Murray, 2023). A local food bank fed 608 people in November 2022 as compared to 369 in November 2021. The new users seem to be different to people who used the service previously.

80% of new foodbank users are:

- seeking help for the first time in their lives.
- are in work and employment
- seem to be able to cover their rents with their income
- but they seem not to be able to feed themselves and their family

• and experience fuel poverty, of which the West Midlands experience with 19.2% the highest rate nationwide in the winter of 2022 (Sandiford and McRae, 2023).

Changes to employment

The unemployment rate remains unchanged in the second half of 2022 and is at a 50-year low. The labour market is strong with an unemployment rate of 3.7% for the three months to November. However, this does not seem to reassure consumers regarding their job security. The Deloitte Consumer Tracker (2022) observes for the fourth quarter of 2022 that consumers are increasingly concerned about a possible deterioration in the job market. Consumer sentiment on job security has declined by 1.2% to -10% compared to the previous quarter.

This seems to affect the way consumers regard their employment. The PwC Consumer Sentiment Survey (2023.b) indicates that in Spring 58% of all respondents would take a more secure job that pays less. Looking at 18 to 34 years old, this is slightly less. Only 51% of this age group responded that they would value security more than income.

Employment and the kind of jobs consumers are looking for are also affected by the cost-of-living crisis. Due to a squeeze in finance both for employees and employers, the job market has radically changed in less than a year:

75.1% of UK professionals have considered looking to change jobs because of rising costs in April 2022 according to the online recruiter (CV-Library, 2022)
17% of all workers have had to take a second job to boost income, including 1 in 5 essential workers in February 2022 according to (TotalJobs, 2022). December saw 1.25 million people with second jobs, according to ONS (2022) data an increase of 43,000
10% decrease in economically inactive people from August to October 2022, largely driven by those aged 50 to 64 years returning to work
11.9%decrease of economically inactive people in August to October 2022 aged 50 to 64

Changes to accommodation

According to ONS (2023) data, average house prices in the UK increased by 6.3% in the 12 months to January 2023. The average UK house price was £290,000 in January 2023, which is £17,000 higher than 12 months ago. Regionally, London remains the most expensive of any region in the UK, with an average price of £534,000 in January 2023.

Between June and July 2022, average house prices in the UK grew the most in the West Midlands (3.8%), followed by the North East (3.7%). The smallest monthly growth was experienced in the East Midlands (0.6%). The region with the largest growth in average house prices since July 2021 was the South West.

As of September 2022, Rightmove reports that the average price of new properties coming to the UK housing market was around £367,000 (0.7% on the previous month).

- The housing market seems to remain robust given the economic factors that have affected home-movers.
- House sellers are continuing to raise their asking prices, despite higher interest rates and a rising cost of living. On average, this equated to more than £2,500 a property.

Rents remain consistently high in March 2023 according to Goodlord Rental Index (2023). This is mainly due to high demand and low housing stock. The average cost of a rental property in England is £1,090.57, an increase of 0.14%. Most regions saw a negligible shift in prices. The biggest change was recorded in the East Midlands, where prices decreased by 2.8%. In the South West, however, prices rose by 2.4%. In the West Midlands, rents increased from £893.30 by 1.38% in February 2023 to 905.59 in March 2023.

Tenants seem to be more cautious about moving to another rented property if they're already renting. This is due to the rising price of rent, which may make moving more expensive, and to the extra costs involved with moving, such as hiring vans and security deposit payments. Tenants may start to downsize if they decide to move. This is in contrast to tenants upsizing during the pandemic.

A trend that shows tenants relying on their parents for support with accommodation costs seems to continue. According to Saga Equity Release (2022) in October 2020 one in five parents was financially supporting their adult children to cover accommodation and other costs of living, in May 2022 this has grown to one in four. Parents seem to be gifting sums of money or releasing equity from their homes which might make them more financially vulnerable.

Summary

The dramatic increase in the cost of living since 2021 is having a considerable impact on consumers as real household disposable income per capita has seen a sharp decline leading to the biggest fall in living standards since 1956. As a result, consumers have reduced overall spending, a trend that might continue for the first half of 2023. If, however, inflation is gradually reduced, the national living wage increased, and high employment continues, consumer confidence might improve in the second half of 2023.

As a result of the cost-of-living crisis, consumers have become more discerning in the way they spend their money. In order to pay for essential goods, they cut back on eating out, new clothes and one-off treats. They are more careful in spending on home improvements, holidays and appliances and switch to cheaper stores and private-label alternatives. Less money is available to put into savings.

Borrowing, especially borrowing on credit cards, has increased alarmingly affecting an increase in total debt per UK household. Low-income households are particularly vulnerable with their debt level increasing and some not being able to pay priority bills. Foodbanks experience an increase in demand and report that people who are in employment and previously donated food are using their services now.

Employment and the kind of jobs consumers are looking for are also affected by the cost-of-living crisis. UK professionals considering changing jobs because of rising costs and the number of workers who have a second job has increased. The number of economically inactive people, however, has decreased driven by workers over 50 returning to work.

The housing market remains robust and rents are consistently high with tenants less likely to move or, if they do, downsize. Parents are increasingly drawn upon to help cover their adult children's accommodation and other costs of living.

View and download the full REDI Updates report.

Megatrends in the Midlands 2023

Matt Lyons and Charlotte Hoole, WMREDI

City-REDI has written about Megatrends previously. We have a fantastic podcast series which is well worth a listen to and a 2021 report focusing on the West Midlands. This latest blog is written to coincide with a new report produced by Matt Lyons, Anne Green, Charlotte Hoole and Alice Pugh at City-REDI in collaboration with the Midlands Engine looking at Megatrends in the Midlands.

The new 2023 report '*Megatrends in the Midlands*' identifies four major megatrends likely to impact the region. It considers how they are likely to unfold and what policy can do to address them. Dr Matt Lyons and Charlotte Hoole provide a short overview of the report.

What are megatrends?

"Megatrends are large scale trends that could have significant economic consequences and scarring effects for population sub-groups and places because of impacts on human, social, physical and natural capital."

Figure 1 shows the four identified megatrends (on the left in blue) and a series of 'impact areas' (on the right white boxes) that relate to each of the following trends:

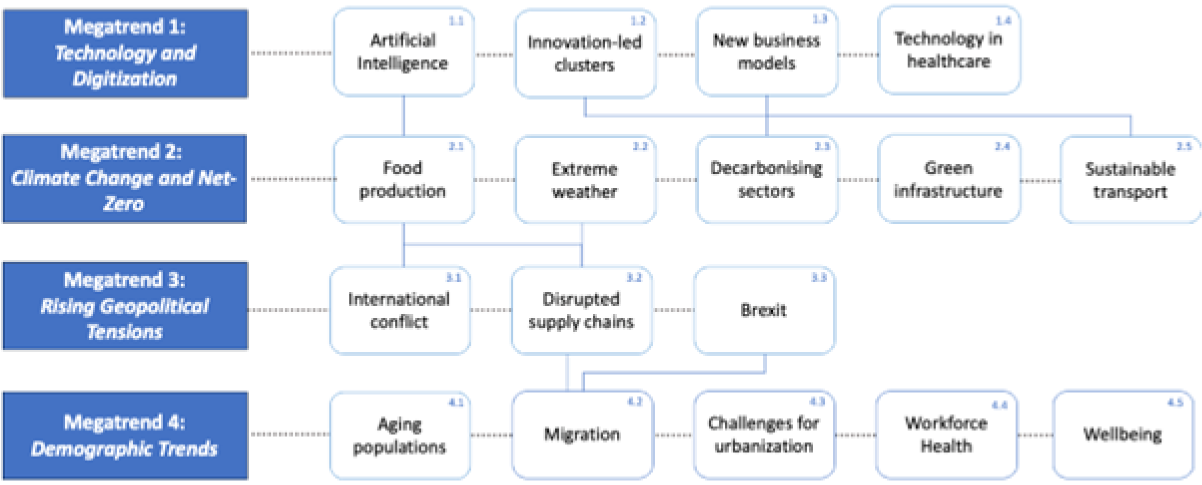
Megatrend 1: Technology and Digitization refer to the rapidly evolving impacts of new technologies such as artificial intelligence programs and increasing acceptance of old technologies in new sectors such as remote working, and teleconferencing in healthcare.

Megatrend 2: Climate Change and Net-Zero refers to the impacts of climate change such as excess heat, flooding, and agriculture issues, and also the impacts of policy in mitigating climate impacts (net-zero).

Megatrend 3: Rising Geopolitical Tensions refers to an increasingly multi-polar world which after recent conflicts has led to increasing prioritisation of supply chain resilience and security over efficiency.

Megatrend 4: Demographic Trends refers to the ageing population in much of the West and China. It also refers to changing migration patterns and what impacts these changes could have on the economy and health systems.

Figure 1– Diagram showing the four identified megatrends and their interrelationships.



Source: Midlands Engine, 2023

The trends are highly interconnected as shown by the linking lines in **Figure 1**. For example, Artificial Intelligence is being used in the AgriTech industry to improve issues related to food production. Food production is also related to international conflict as we have seen in Ukraine over the past year.

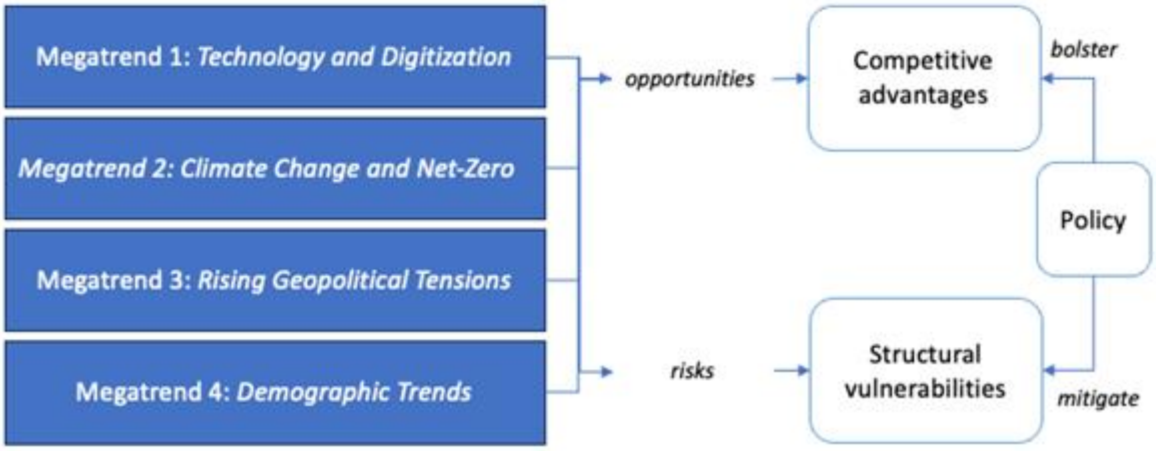
These interactions and feedback effects between megatrends add complexity to strategic planning at the national, regional and local levels.

What do the megatrends mean for the Midlands?

On a global scale, the impacts of the megatrends are highly heterogeneous. Climate Change is anticipated to have far more severe consequences for the global south than the north. Demographic trends are seeing much of the West and China growing older and facing new challenges related to labour supply and health systems. Europe is likely to see fast-growing migration from rising geopolitical tensions and climate refugees.

The heterogeneity of impacts from megatrends is also seen at the regional and local scales. Regions differ in their geography, industrial composition, labour market and infrastructure. These factors can mean that regions have different competitive advantages and structural vulnerabilities in the face of exogenous shocks (like megatrends). **Figure 2** shows the approach taken in the 2023 report to assess these impacts. The figure presents megatrends as having potential opportunities and risks which can be bolstered or mitigated through the use of policy.

Figure 2: The impact and mitigation of megatrends in the Midlands Engine



Source: Midlands Engine, 2023

What can regional policy do to address megatrends?

The report closes with a broad scope of what these trends mean for policy and attempts to show what responses are possible at different spatial scales.

Table 1 shows a summary of how policy at the national, regional and local levels can respond to issues raised by each Megatrend.

For example, Climate Change and Net-zero are both issues that should be tackled at the national level with consistent regulation to incentivise change. Net-zero has involved national regulation on industry such as the phasing out of internal combustion vehicles. At the regional level, policymakers in the Midlands can bring together industry and academia to foster green innovation clusters – as is indeed happening through ventures like the Tyseley Energy Park and Warwick Manufacturing Group. At the local level, councils can build natural flood defences, and incentivise walking and public transport.

What is shown here and in the report is fairly high-level. An important next step in this research is to better map what policy levers are available at what scales and reflect on what action is being taken versus what actions could be taken.

Table 1. A top-level summary of policy responses to Megatrends in the Midlands

Megatrend	National Policy Implications (UK)	Regional Policy Implications (Midlands Engine)	Local Policy Implications (city, Local Authority)
Technology & Digitization	**Skills Agenda**	**Cluster development & HEI collaboration**	**Raising public awareness of AI & Digital skills initiatives**
Climate Change & Net-zero	**Environmental regulations**	**Green innovation**	**Local climate action plans**
Rising Geopolitical Tensions	**Trade & export strategy**	**Regional economic development**	**Cultural initiatives**
Demographic Trends	**Preparing for an ageing population**	**Lifelong learning**	**Local public health initiatives**

Source: Midlands Engine 2023

Concluding remarks

The nature of working on megatrends means attempting to predict the future, but there are some areas we can consider with some levels of confidence (e.g. IPCC reports on climate change), such as demographic trends of ageing that are highly predictable. However, there are some areas that are much less predictable. The explosion of AI in 2023 has been a shock to numerous industries, including academia.

The purpose of this report is to set the scene and start a discussion about how megatrends might unfold and how we can approach the future with some strategy to address them whilst being flexible to change.
To keep up to date with this project contact Dr Matt Lyons.

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

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

The Economic Intelligence Unit

At the time of writing, headline data is only available and shows that the West Midlands was one of only three regions (along with London and the South West) where output increased in October (Business Activity Index of 50.7, the UK was at 48.7). Along with remaining the most optimistic region for future business activity for the fourth consecutive month

In Summary:

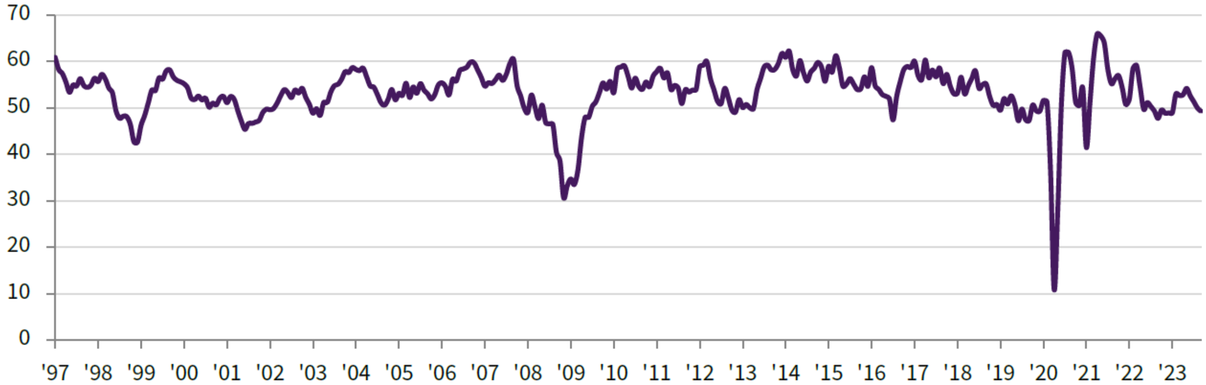
- The West Midlands Business Activity Index decreased from 50.0 in August 2023 to 49.3 in September 2023. The decline in business activity was linked to reduced customer orders.
- The UK Business Activity Index decreased from 48.6 in August 2023 to 48.5 in September 2023.
- Out of the 12 UK regions, the West Midlands was the third highest for business activity in September 2023.
- The West Midlands Future Business Activity Index decreased slightly from 78.5 in August 2023 to 78.4 in September 2023, but was still among the highest levels seen since January 2022. Optimism in firms was linked to expectations of new business gains, demand would strengthen, planned investment (people and systems) and efficiency gains.
- Out of the 12 UK regions, the West Midlands was the highest for Future Business Activity in September 2023.

In Detail:

Business Activity Index

The West Midlands Business Activity Index decreased from 50.0 in August 2023 to 49.3 in September 2023. The decline in business activity was linked to reduced customer orders.

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



Source: NatWest West Midlands PMI, October 2023

Out of the 12 UK regions, the West Midlands was the third highest for business activity in September 2023. London was the highest with 52.4 and the North East was the lowest at 43.7. Despite the fall, the West Midlands scored highest of English regions outside of London.

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

[1] Source: NatWest UK regional PMI report for September 2023, released October 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 WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI

Source: NatWest West Midlands PMI, October 2023

Demand

The latest West Midlands New Business Index shows broadly stagnant levels of new business (decreasing from 50.3 in August 2023 to 50.1 in September 2023). Where growth was reported, this was linked to successful marketing efforts. On the other hand, firms reported restrictions in demand due to tight client budgets and hesitancy to commit to new projects.

Exports

The West Midlands Export Climate Index decreased further from 49.5 in August 2023 to 49.3 in September 2023.

Business Capacity

The West Midlands Employment Index remained at 49.4 in September 2023, indicating a second month of decline in jobs. Where a decline was reported, this was linked to subdued demand conditions, high staff costs and staff turnover. The West Midlands Outstanding Business Index increased from 43.0 in August 2023 to 44.9 in September 2023, remaining under the 50-mark threshold since December 2022 and despite easing from the previous month, the rate of contraction was the second quickest since June 2020. Firms reported that supply chain improvements helped to clear the pending workloads along with lack of new business and staff working overtime.

Prices

The West Midlands Input Prices Index decreased from 59.6 in August 2023 to 55.4 in September 2023. Despite the fall, firms still report an increase in expenses, although the rate of inflation eased to the weakest seen in three years. Firms reported higher transport, wage, insurance and fuel costs but offset from the easing of energy, food and metals costs. The West Midlands Prices Charged Index decreased from 54.9 in August 2023 to 54.6 in September 2023, still indicating a notable increase. The rate of inflation remains historically high but has eased to the weakest level seen since in two-and-a-half years. There were some firms that reportedly hiked their fees to protect margins, while other firms lowered their charges due to cost savings and competitive conditions.

Outlook

The West Midlands Future Business Activity Index decreased slightly from 78.5 in August 2023 to 78.4 in September 2023, but was still among the highest levels seen since January 2022. Optimism in firms was linked to expectations of new business gains, demand would strengthen, planned investment (people and systems) and efficiency gains.

Out of the 12 UK regions, the West Midlands was the highest for Future Business Activity in September 2023. The South East was the second highest at 75.3 and the North East was the lowest at 57.6.

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

Source: NatWest West Midlands PMI, October 2023

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

Business Births and Deaths: October 2023 Release (to Q3 2023)

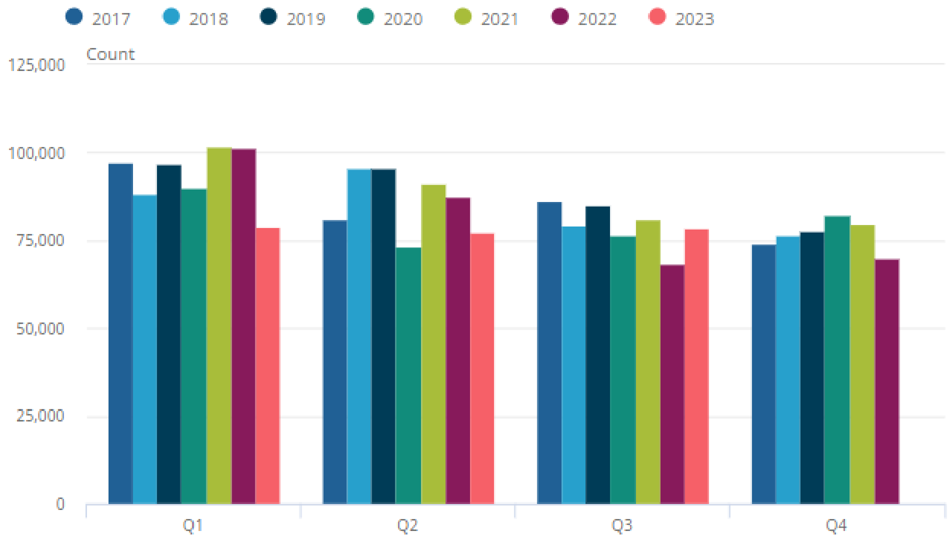
The Economic Intelligence Unit

ONS released their experimental statistics relating to business births and deaths in October 2023, covering the period up to Q3 (July to September) 2023. The data and publication can be accessed here.

National Analysis

- The number of business births in the UK in Q3 2023 was 78,655. This figure is 15% higher than the number of business births in Q3 2022 (the quarter with the lowest number of business births since the start of the quarterly series in Q1 2017.
- The number of business births increased in 13 out of 16 main industrial groups during this quarter compared with Q3 2022. The most significant increase came in the professional, scientific and technical activities industries, where business births were up by 34%.

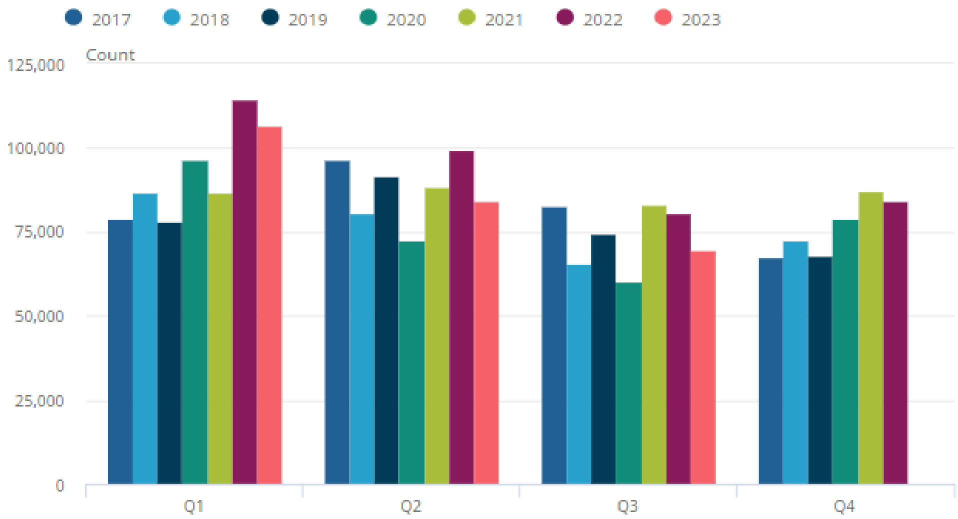
Number of Businesses added to the IDBR, quarterly UK, Q1 2017 to Q3 2023:



Source: Inter-Departmental Business Register (IDBR) from the Office for National Statistics

- The number of business deaths in the UK in Q3 2023 was 69,445. This is 14% lower than in Q3 2022, with 10 out of 16 main industrial groups showing a decrease in deaths.
- The most significant decrease in deaths came in the transport and storage industries (down 41%). Within transport and storage, unlicensed carriers (down 51%) showed the most significant fall.

Number of Businesses removed from the IDBR, quarterly UK, Q1 2017 to Q3 2023:



Source: Inter-Departmental Business Register (IDBR) from the Office for National Statistics

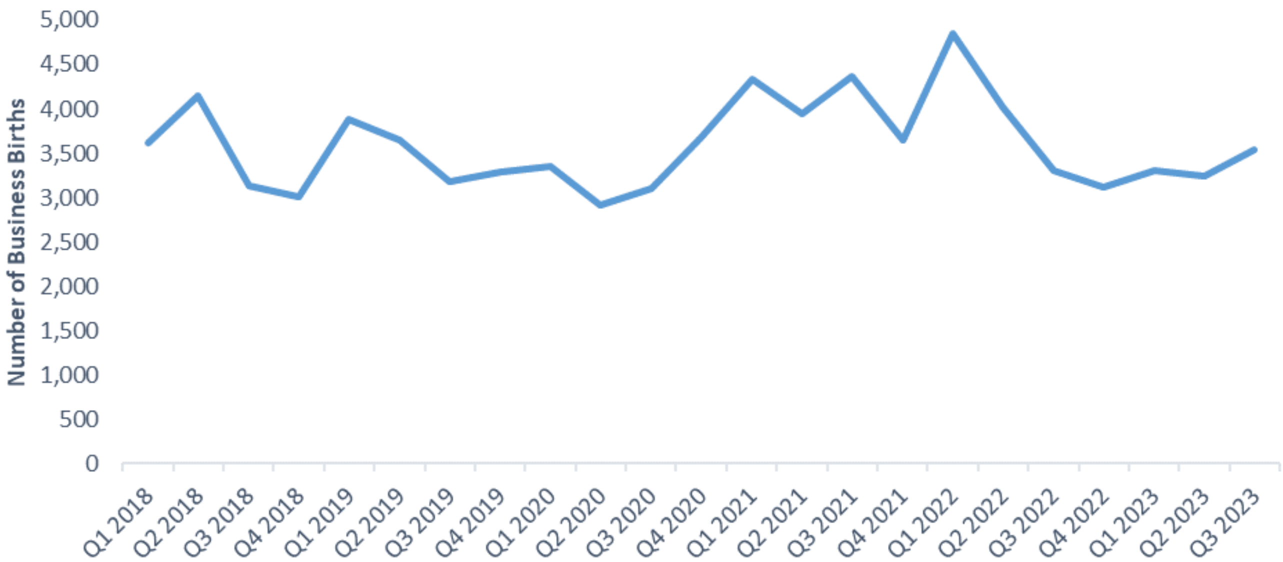
WMCA Analysis

- The number of business births in the WMCA area in Q3 2023 was 3,535. This figure is 7.0% higher than the number of business births in Q3 2022, this is below the UK growth of 14.9%.
- Excluding Dudley (-1.8%), business births increased across the rest of the WMCA local authority areas, the highest increases were in Walsall (+38.0%) and Solihull (+19.1%).
- Quarter on quarter analysis (between Q2 2023 and Q3 2023) showed an increase of 9.1% for the WMCA area, above the UK increase of 1.9%. This was primarily due to increases in Solihull (+36.6%) and Walsall (+32.7%).

Recent quarterly business births trends:

	Q3 2022	Q2 2023	Q3 2023	Q2 2023 – Q3 2023 Change	Q3 2022 – Q3 2023 Change
WMCA	**3,305**	**3,240**	**3,535**	**9.1%**	**7.0%**
Birmingham	1,460	1,435	1,475	2.8%	1.0%
Coventry	415	415	445	7.2%	7.2%
Dudley	275	280	270	-3.6%	-1.8%
Sandwell	365	360	375	4.2%	2.7%
Solihull	235	205	280	36.6%	19.1%
Walsall	250	260	345	32.7%	38.0%
Wolverhampton	305	290	340	17.2%	11.5%
UK	**68,460**	**77,175**	**78,655**	**1.9%**	**14.9%**

Longer-term quarterly WMCA business births trends:



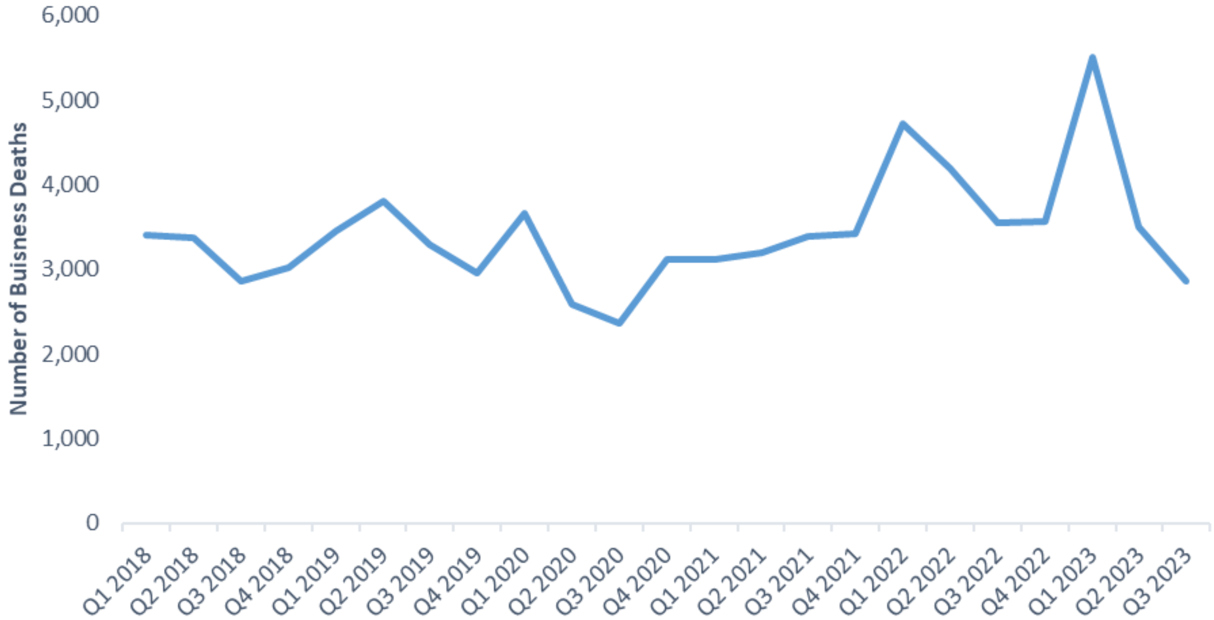
- The number of business deaths in the WMCA area in Q3 2023 was 2,855. This figure is 19.7% lower than the number of business deaths in Q3 2022, this is above the UK fall of 13.6%. Business deaths decreased across all of the WMCA local authority areas.
- Quarter on quarter analysis (between Q2 2023 and Q3 2023) showed a decrease of 18.7% for the WMCA area, above the UK decrease of 17.7%.

Recent quarterly business deaths trends:

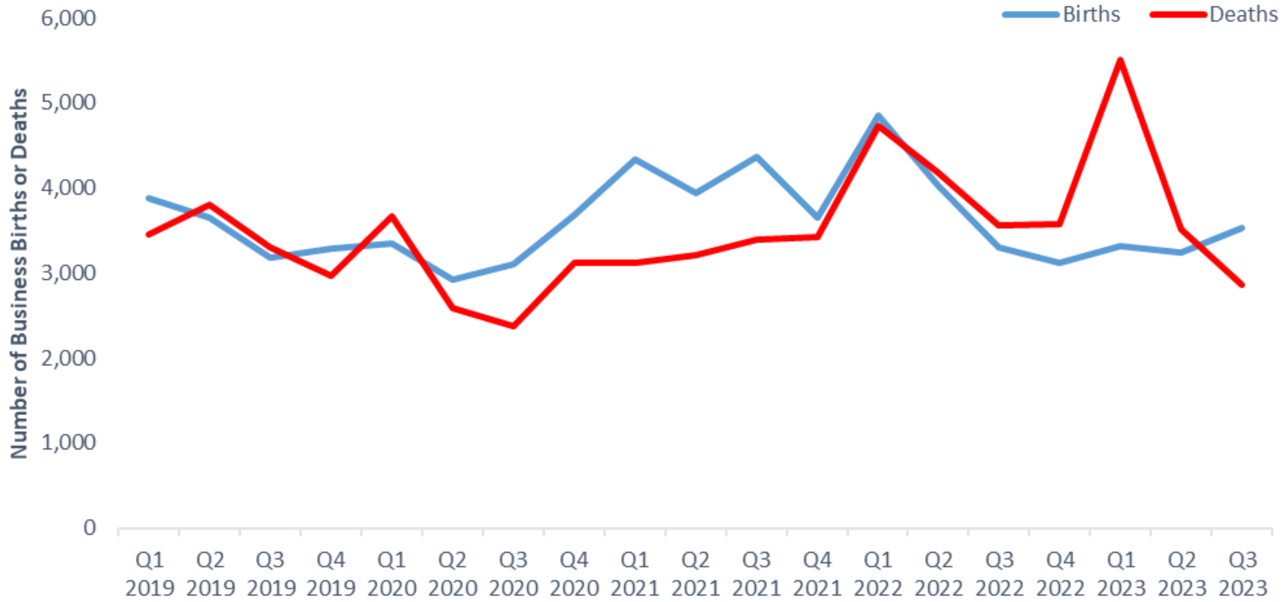
	Q3 2022	Q2 2023	Q3 2023	Q2 2023 – Q3 2023 Change	Q3 2022 – Q3 2023 Change
WMCA	**3,555**	**3,510**	**2,855**	**-18.7%**	**-19.7%**
Birmingham	1,590	1,495	1,200	-19.7%	-24.5%
Coventry	400	485	375	-22.7%	-6.3%
Dudley	300	300	255	-15.0%	-15.0%
Sandwell	325	365	285	-21.9%	-12.3%
Solihull	235	245	190	-22.4%	-19.1%

Walsall	330	275	255	-7.3%	-22.7%
Wolverhampton	375	345	300	-13.0%	-20.0%
UK	**80,420**	**84,430**	**69,445**	**-17.7%**	**-13.6%**

Longer-term quarterly WMCA business deaths trends:



The latest data shows that WMCA business births are now back above business deaths (for the UK, this is the first time since Q2 2021 that there are more births than deaths)**:**



View from the Logistics Industry

Michal Gierat, Managing Director of WM International

Michal Gierat, Managing Director of WM International discusses the logistics industry since 2021, where a variety of factors including the pandemic and fuel prices have made for challenging times.

This article was written for the Birmingham Economic Review 2023.

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

The prices of our services are heavily impacted by the operating costs that road hauliers, shipping lines or airlines have to face. The first post-pandemic economic bounce back made the situation in logistics even more challenging since the customers' demand exceeded the transportation capacities available worldwide.

Road haulage

Fuel prices and drivers' wages are the biggest costs for transport companies. Transportation cost has a direct impact on the products' final price and the fuel prices and inflation rate are linked very closely.

Weekly Road Fuel Prices

Source: ONS, 2023- Weekly road fuel prices

The years 2021 and 2022 were very challenging for the logistics industry due to the significant fuel cost, high demand and the shortage of HGV drivers. Since Autumn 2022, we have observed that fuel prices have been stabilising, having reached almost the pre-pandemic levels. This summer, however, they started rising again. In the last couple of years, the fuel surcharge (FSC) fluctuated from 3% to 19%. In 2023 up to July 2023, most hauliers' FSC was approximately 5%. Since July, it hit 10% and it is likely to continue increasing. Time will show if this increase has simply been a blip, a slight correction or is another crisis linked with the current geopolitical tensions.

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

Shipping Containers

Not only has road haulage been struggling, but the cost of shipping containers from far east Asia skyrocketed in 2021. It reached the level where – according to various sources – the cost of transport exceeded the value of the commodities being transported. Since early 2022, we have observed a slow but steady decline in the cost of container shipments and this trend continued in 2023. Our analysis suggests that in 2023 we reached the cost level of 2018. In addition, in 2022 the UK ports implemented extra charges such as the Energy Adjustment Levy (EAL) and the Green Energy Transition Levy. These charges have increased in 2023 and subsequently become an additional cost to our customers.

Level of orders dropping

Our main observation in 2023 is that the level of orders from suppliers and customers is decreasing. The hauliers now have spare vehicles and spare drivers available. For the last couple of years, it was the freight forwarders struggling to find hauliers available to work and now the situation has changed. We are receiving more offers with vehicle availability from all over Europe, including the UK.

We estimate that 20-30% of the European hauliers who used to operate between the UK and the continent, were redirected towards mainland Europe. One of the possible reasons for this could be the new post-Brexit regulations that resulted in more hassle due to the Customs requirements. Those European hauliers who prepared themselves for the Brexit changes and remained on the market increased their fleets and filled up the capacity gap. Interestingly, this gives the UK hauliers an opportunity to start considering operating more European tractions.

By the end of 2023 as initially planned, or more likely in 2024, HM Revenue & Customs (HMRC) is going to move from Customs Handling of Import & Export Freight (CHIEF) to Customs Declaration Service (CDS) system on exports which may potentially create difficulties for some freight forwarders in terms of staff training.

Acid test for the economy

Some argue that the logistics industry could be considered the acid test for the rest of the economy. In the past, the decline in transportation demand was the beginning of the recessions whereas increased demand was an indication of the start of economic growth.

At WM International, we suspect that the possibility of economic slowdown is significant, and we are focusing on the automation of our processes and diversifying our portfolio of hauliers and shipping companies to optimize costs.

Read the Birmingham Economic Review in full.

WMCA Earnings Headlines

The Economic Intelligence Unit

The ONS have released an update from the [Annual Survey for Hours and Earnings](#) (ASHE), which covers up to April 2023 (provisional) on:

- **Employee earnings** (nominal, annual, gross pay for full-time employees).
- **Gender pay gap** (defined as the difference between men's and women's hourly earnings as a percentage of men's earnings - in this briefing full-time employees has been used).
- **Regional low pay** (employees aged 16 years and over).

Employee Earnings – Resident

- Median annual gross resident earnings for WMCA full-time employees were £32,019 in 2023, which is a 4.5% increase over the £30,646 in 2022. For the UK the increase was 5.8% over the last year to £34,963 in 2023 (meaning the WMCA area had a gap of £2,944).
- However, in real terms (adjusted for inflation using Consumer Prices Index including owner occupiers' housing costs (CPIH)), earnings fell by 3.1% in the WMCA compared to a decrease of 1.9% on the year for the UK.

Earnings Summary:

	2022	2023	Nominal Change	Real Change (adjusted for inflation)
WMCA	**£30,646**	**£32,019**	**4.5%**	**-3.1%**
Birmingham	£30,835	£31,829	3.2%	-4.2%
Coventry	£34,097	£34,925	2.4%	-5.0%
Dudley	£30,165	£31,635	4.9%	-2.7%
Sandwell	£27,460	£29,594	7.8%	0.0%
Solihull	£37,346	£38,942	4.3%	-3.3%
Walsall	£28,321	£30,295	7.0%	-0.8%
Wolverhampton	£29,707	£29,621	-0.3%	-7.5%
UK	**£33,061**	**£34,963**	**5.8%**	**-1.9%**

Employee Earnings – Workplace

- Median annual gross workplace earnings for WMCA full-time employees were £34,085 in 2023, which is a 2.5% increase over the £33,256 in 2022. The UK increased by 5.8% over the last year to £34,963 in 2023 (meaning the WMCA area had a gap of £878).
- However, in real terms (adjusted for inflation using CPIH), earnings fell by 4.9% in the WMCA compared to a decrease of 1.9% on the year for the UK.

Earnings Summary:

	2022	2023	Nominal Change	Real Change (adjusted for inflation)
WMCA	**£33,256**	**£34,085**	**2.5%**	**-4.9%**
Birmingham	£34,147	£34,037	-0.3%	-7.5%
Coventry	£33,715	£39,491	17.1%	8.7%
Dudley	£30,920	£32,021	3.6%	-3.9%
Sandwell	£27,473	£30,280	10.2%	2.2%
Solihull	£40,743	£34,959	-14.2%	-20.4%
Walsall	£29,300	£31,558	7.7%	-0.1%
Wolverhampton	£30,380	£31,767	4.6%	-3.0%
UK	£33,061	£34,963	5.8%	-1.9%

Gender Pay Gap

- In 2023, for the WMCA area, there was a higher median full-time gender pay gap for residents at 10.0% compared to 9.6% for workplace based, both proportions were above the UK-wide median full-time gender pay gap of 7.7%.
- Notably, workplace analysis shows that for Sandwell and Walsall that females earn more than males.

Gender Pay Gap Summary, 2023:

	Resident Gender Pay Gap Median	Workplace Gender Pay Gap Median
WMCA	**10.0%**	**9.6%**
Birmingham	12.2%	13.3%
Coventry	18.2%	18.9%
Solihull	9.9%	10.2%
Dudley	7.4%	1.0%
Sandwell	4.9%	-2.6%
Walsall	7.0%	-1.5%
Wolverhampton	8.4%	9.8%
UK	**7.7%**	**7.7%**

National Minimum Wage and National Living Wage – Regional and National Summary

- Nationally 1.3% of employee jobs were paid below the National Minimum Wage (NMW) or National Living Wage (NLW) in April 2023.
- For the West Midlands region, there were approximately 34,000 employee jobs that were paid below the NLW - this equates to 1.4% of employee jobs.

Regional Summary:

	All Jobs Below NMW	
	Number	Percentage
North East	19,000	1.7%
North West	41,000	1.4%
Yorkshire & Humber	34,000	1.5%
East Midlands	35,000	1.8%
West Midlands	**34,000**	**1.4%**
East	35,000	1.4%
London	39,000	0.9%
South East	49,000	1.2%
South West	31,000	1.3%
Wales	14,000	1.1%
Scotland	19,000	0.8%
Northern Ireland	16,000	1.3%
All	**366,000**	**1.3%**

WMCA Jobs Headlines
The Economic Intelligence Unit

The ONS have released an update from the Business Register and Employment Survey (covering up to 2022). The following briefing (an interactive version can be found here) covers the WMCA area and focuses on:

- Total Employee Jobs
- Ten Defined Sectors

Jobs and Annual Change

- In the WMCA area there were approximately 1.3m jobs in 2022. Since 2021, jobs in the WMCA increased by 1.6% (+21,000) and nationally there was a 2.4% increase.
- As seen in the table, there was a real mixed picture across the area as jobs in Dudley decreased (due to a decline in part-time jobs) and Coventry remained the same (the decrease in part-time jobs offset the increase in full-time jobs), while there was strong percentage growth in Solihull and in real terms for Birmingham.

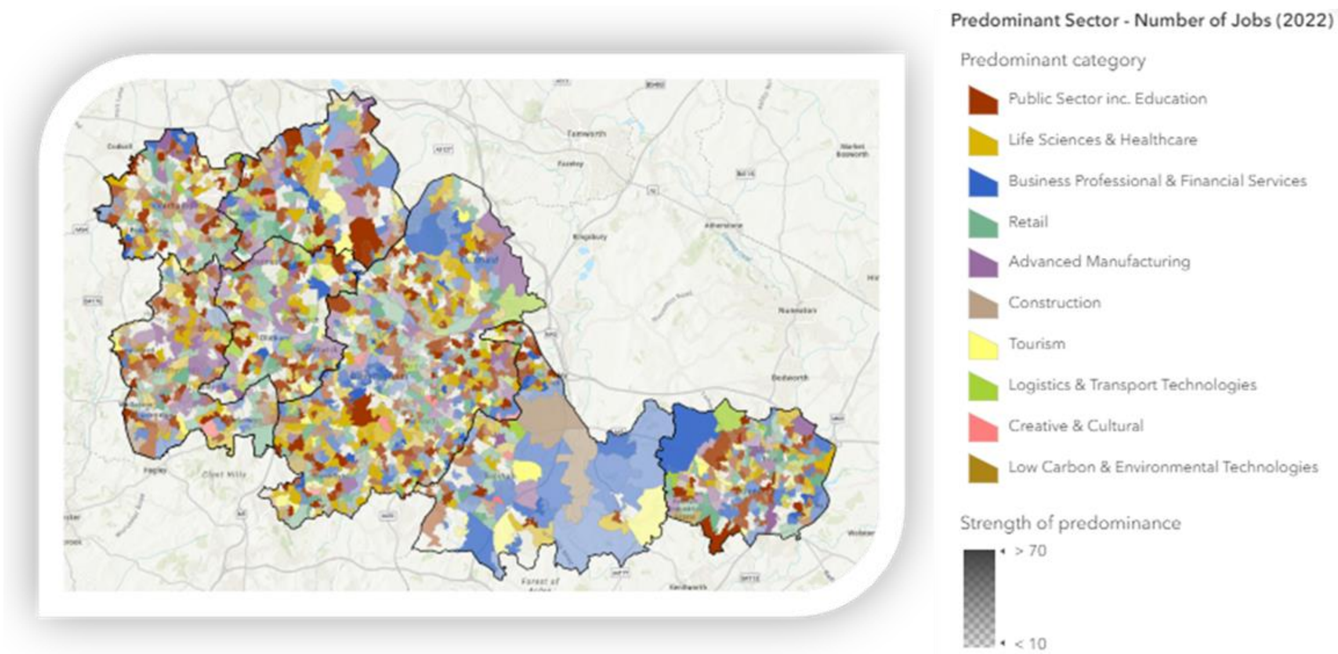
Latest Job Trends:

	2021	2022	Annual Percentage Change	Annual Number Change
Birmingham	531,000	545,000	2.6%	14,000
Coventry	163,000	163,000	0.0%	0
Dudley	116,000	110,000	-5.2%	-6,000
Sandwell	124,000	126,000	1.6%	2,000
Solihull	142,000	148,000	4.2%	6,000
Walsall	100,000	102,000	2.0%	2,000
Wolverhampton	106,000	109,000	2.8%	3,000
WMCA	**1,281,000**	**1,302,000**	**1.6%**	**21,000**
England	26,526,000	27,153,000	2.4%	627,000

Sectors

- In 2022, the WMCA area has a higher proportion than the national average in six sectors: advanced manufacturing (9.6% vs 7.1%), construction (7.3% vs 7.2%), life sciences & healthcare (15.5% vs 14.1%), logistics & transport technologies (5.8% vs 5.1%), public sector including education (14.6% vs 13.6%) and business, professional & financial services (21.8% vs 21.6%) – with this latter sector the highest proportion of jobs in the WMCA.
- Since 2021, there was positive growth in five sectors; construction (+40), life sciences & healthcare (+4,385), logistics & transport technologies (+9,650), advanced manufacturing (+9,700) and business, professional & financial services (+28,500).
- In contrast, the highest falls were seen in retail (-11,000) and tourism (-9,000).

Jobs by Predominant Sector:



Headlines - Labour Market and Claimant Count: October 2023

The Economic Intelligence Unit

The ONS have released an update from the Annual Population Survey (covering up to the year ending June 2023) and claimant count figures (provisional for September 2023). The following briefing (an interactive version can be found here) covers the WMCA area and focuses on:

- Economic activity, employment rate, economic inactivity and modelled unemployment rates
- Claimants counts - total and youth (Aged 18-24)

Economic Activity, Employment Rate and Economic Inactivity

- Overall, for the WMCA area, the economic activity rate was 74.8% in the year ending June 2023, an increase of 0.7 percentage points (pp) since the year ending June 2022. The UK economic activity rate was 78.5% and increased at a slower rate of 0.1pp.
- The WMCA area employment rate was 69.8% in the year ending June 2023, this was an increase of 0.5pp since year ending June 2022. While the UK employment rate increased by 0.1pp to 75.5%.
- The WMCA area economic inactivity rate was 25.2% in the year ending June 2023, a decrease of 0.7pp since the year ending June 2022. The UK economic inactivity rate decreased by 0.1pp to 21.5%.

Economic Activity, Employment Rate and Economic Inactivity Summary:

	Economic Activity Rate: Year to Jun 2023	Change from Year to Jun 2022	Employment Rate: Year to Jun 2023	Change from Year to Jun 2022	Economic Inactivity Rate: Year to Jun 2023	Change from Year to Jun 2022
Birmingham	72.9%	2.4pp	67.3%	2.2pp	27.1%	-2.4pp
Coventry	75.9%	0.5pp	71.8%	1.0pp	24.1%	-0.5pp
Dudley	81.2%	1.3pp	76.5%	-0.1pp	18.8%	-1.3pp
Sandwell	70.3%	0.6pp	65.4%	-0.4pp	29.7%	-0.6pp
Solihull	82.1%	1.4pp	80.0%	4.0pp	17.9%	-1.4pp
Walsall	77.7%	-1.1pp	71.7%	-2.6pp	22.3%	1.1pp
Wolverhampton	72.0%	-5.1pp	66.4%	-4.6pp	28.0%	5.1pp
WMCA	**74.8%**	**0.7pp**	**69.8%**	**0.5pp**	**25.2%**	**-0.7pp**
UK	78.5%	0.1pp	75.5%	0.1pp	21.5%	-0.1pp

Modelled Unemployment Rate

- Since the year ending June 2022, the WMCA area modelled unemployment rate has increased by 0.2pp to 6.6% in the year ending June 2023. England's modelled unemployment rate decreased by 0.1pp to 3.8% in the year ending June 2023.

Modelled Unemployment Rate Summary:

	Unemployment Rate Year to Jun 2022	Unemployment Rate Year to Jun 2023	Change from Year to Jun 2022
Birmingham	7.5%	7.5%	0.0pp
Coventry	5.6%	5.4%	-0.2pp
Dudley	4.4%	4.4%	0.0pp
Sandwell	6.0%	6.3%	0.3pp
Solihull	4.6%	3.3%	-1.3pp
Walsall	5.4%	6.1%	0.7pp
Wolverhampton	6.0%	6.6%	0.6pp
WMCA	**6.4%**	**6.6%**	**0.2pp**
England	3.9%	3.8%	-0.1pp

Claimants

- There were **124,880 claimants** in the WMCA area in September 2023. Since August 2023, there has been an **increase of 1.5%** (+1,805), while the UK increased by 0.9%. When compared to September 2022, claimants have increased by 4.0% (+4,835), with the UK increasing by 2.2%.

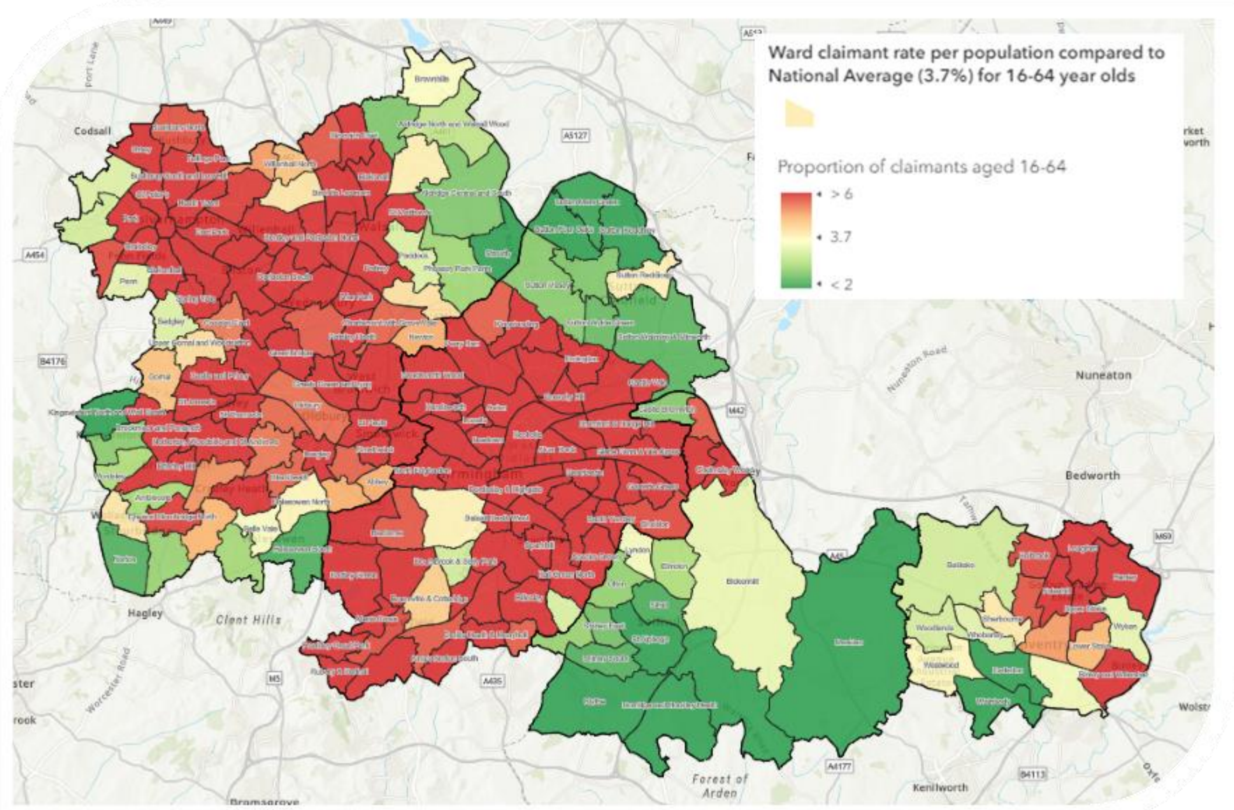
The WM Weekly monitor is funded by the West Midlands Combined Authority, Research England/UKRI

- 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 September 2023.

Total Claimants Summary:

	Mar 2020	Sep2022	Aug 2023	Sept 2023	Sep 2023 16-64 Years Rates	Change since Mar 2020	Change since Sep 2022	Change since Aug 2023
Birmingham	49,370	60,535	62,540	63,740	8.6%	29.1%	5.3%	1.9%
Coventry	8,000	11,690	12,605	12,630	5.6%	57.9%	8.0%	0.2%
Dudley	8,515	9,155	8,960	9,115	4.6%	7.0%	-0.4%	1.7%
Sandwell	10,780	13,150	13,220	13,500	6.2%	25.2%	2.7%	2.1%
Solihull	3,650	4,170	4,030	4,080	3.2%	11.8%	-2.2%	1.2%
Walsall	8,605	9,460	9,545	9,515	5.5%	10.6%	0.6%	-0.3%
Wolverhampton	10,380	11,885	12,175	12,305	7.5%	18.5%	3.5%	1.1%
WMCA	**99,300**	**120,045**	**123,075**	**124,880**	**6.8%**	**25.8%**	**4.0%**	**1.5%**
UK	1,268,620	1,509,885	1,529,745	1,543,765	3.7%	21.7%	2.2%	0.9%

Total Claimant Rates Compared to National:



Youth Claimants (18-24 years old)

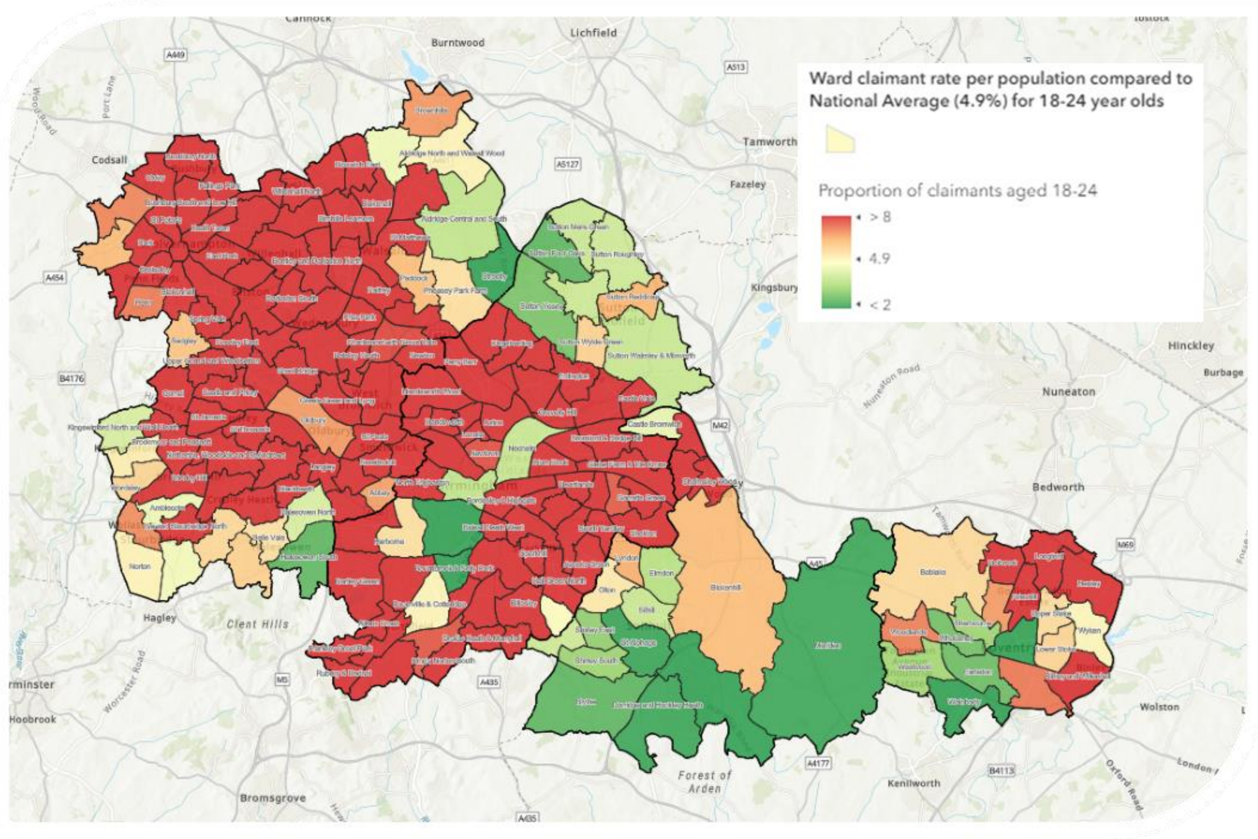
- There were 23,910 youth claimants in the WMCA area in September 2023. Since August 2023, there has been an increase of 2.5% (+585) youth claimants while the UK increased by 1.3%. When compared to September 2022, youth claimants have increased by 13.3% (+2,805), with the UK increasing by 8.9%.
- Overall, for the WMCA the number of claimants as a proportion of residents aged 18-24 years old was 8.4% compared to 4.9% for the UK in September 2023.

Youth Claimants Summary:

	Mar 2020	Sep2022	Aug 2023	Sept 2023	Sep 2023 18-24 Years Rates	Change since Mar 2020	Change since Sep 2022	Change since Aug 2023
Birmingham	9,105	10,480	11,775	12,055	9.3%	32.4%	15.0%	2.4%
Coventry	1,535	2,010	2,175	2,275	5.3%	48.2%	13.2%	4.6%
Dudley	1,750	1,650	1,750	1,815	7.7%	3.7%	10.0%	3.7%
Sandwell	2,115	2,355	2,555	2,625	9.2%	24.1%	11.5%	2.7%
Solihull	825	785	785	795	5.3%	-3.6%	1.3%	1.3%

Walsall	1,915	1,815	2,060	2,055	9.1%	7.3%	13.2%	-0.2%
Wolverhampton	1,910	2,010	2,230	2,290	10.7%	19.9%	13.9%	2.7%
WMCA	**19,155**	**21,105**	**23,325**	**23,910**	**8.4%**	**24.8%**	**13.3%**	**2.5%**
UK	238,085	250,690	269,440	272,925	4.9%	14.6%	8.9%	1.3%

Youth Claimant Rates Compared to National:



Unemployment in Greater Birmingham and the UK

Donald Houston, WM REDI

Donald Houston looks at levels of unemployment in Greater Birmingham and how the region compares with other metropolitan areas in the UK.

This article was written for the Birmingham Economic Review 2023.

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

Why does unemployment matter?

Unemployment serves as a general barometer of economic buoyancy, in normal circumstances tending to fall as business activity rises. More specifically, unemployment is a measure of the level of spare capacity in the labour market – so a certain level of unemployment is required to enable businesses to fill vacancies and grow.

As well as providing these important barometer functions, unemployment in and of itself has damaging effects on businesses, not to mention the individuals who find themselves involuntarily out of work. Although unemployment only affects a relatively small minority of the workforce at any one time, fear of unemployment can dampen consumption beyond those immediately affected.

Long-term unemployment can blight a local area of investment and business confidence, as well as the misery it can bring to the individuals and households affected.

The UK and Greater Birmingham labour markets are still adjusting to the shocks of the pandemic and Brexit. This has produced a slightly unusual situation since late 2022 of simultaneously rising employment and unemployment as both labour demand and supply recover in parallel.

At a time of relatively low national unemployment by historic standards (4.0% in March-May 2023) and labour shortages, intelligence on local labour supply is important. Unemployment in Greater Birmingham fell sharply between 2021 and 2022 before stabilising and then rising slightly in the first half of 2023. Nevertheless, unemployment in Greater Birmingham remains relatively high, at 5.2% of the active workforce in 2022. The count of claimants receiving state benefits for reasons of unemployment in Greater Birmingham is higher still, at 7.9% in 2022. As such, Greater Birmingham may wish to counter the national narrative about labour shortages and low unemployment and retain a focus on bringing unemployment down, while also remaining vigilant on the availability of adequate labour supply moving forward.

How is unemployment measured?

Unemployment is not as straightforward to measure as may be first assumed. Although we think of unemployment as quite clear-cut (i.e., someone is either unemployed or not), there are in reality varying degrees of attachment to the labour market among those not employed. This is why three measures of unemployment are described here (figure below), not least because they are at quite different levels and have not all moved in the same direction at the same time over recent years.

The first is the UK Government's official measure of unemployment, which follows the UN's International Labour Office (ILO) definition of unemployment: currently not working; searched for work in the previous four weeks; and available to start work in the next two weeks. This information is collected by the Office for National Statistics (ONS) in the Annual Population Survey (APS) and Labour Force Survey (LFS).

The second measure is the claimant count, which is those claiming benefits for reasons of unemployment. Not all the ILO unemployed are eligible for or claim benefits, and not all on the claimant count meet all the criteria to be ILO unemployed. Until 2020, the claimant count had always been lower than ILO unemployment. Around 2016, the two measures began to converge because of greater job search requirements under the new Universal Credit benefits system. After a large spike in 2020 linked to the Coronavirus pandemic, the claimant count has been greater than ILO unemployment, although the gap has been narrowing again since.

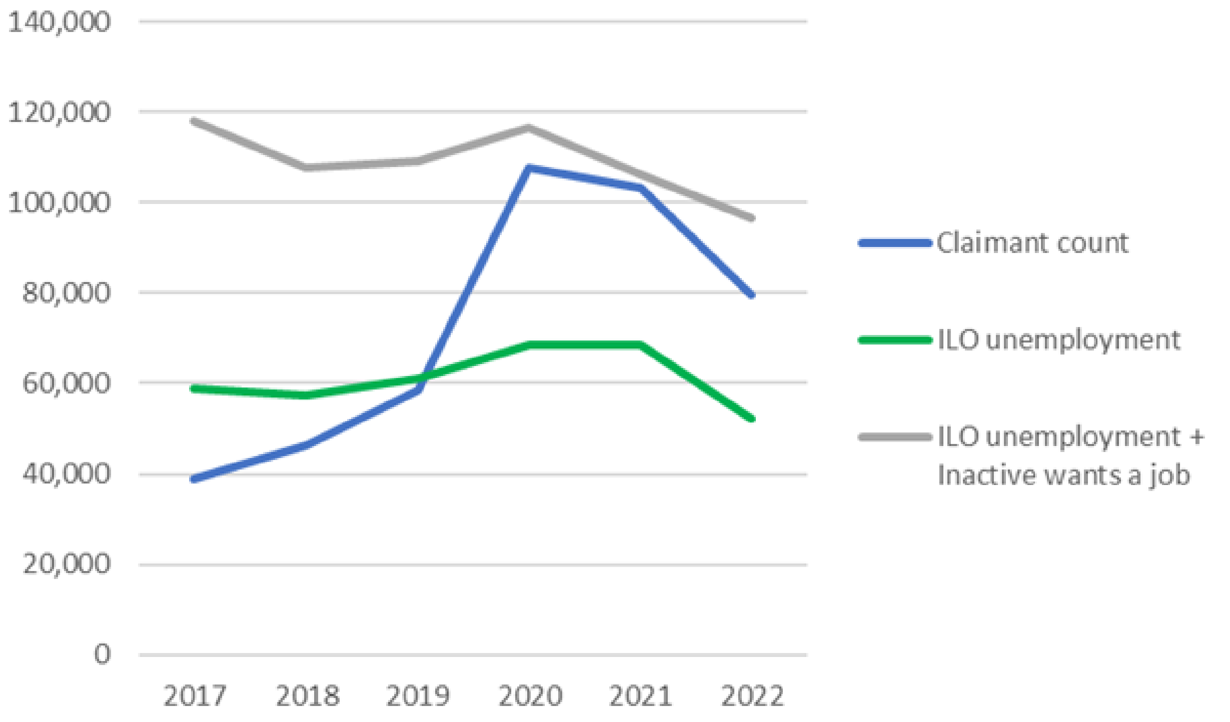
A third measure that may be identified beyond the two measures noted above is the economically inactive who say they want a job. Many members of this group face considerable obstacles to re-entering the workforce relating to age, health, skills or caring responsibilities. These obstacles can discourage people in this category from searching for work regularly and/or make them unavailable to immediately start work.

How high is unemployment in Greater Birmingham?

Depending on which of the above three measures is used, unemployment in Greater Birmingham in 2022 was in the range of some 50-100,000 people (figure below), representing around 5-10% of the economically active population. Alternative estimates of 'hidden unemployment' among recipients of incapacity-related benefits put the 'real' level of unemployment towards the upper end of this range, for example, 78,000 in the City of Birmingham alone.

The lowest of the three measures outlined above, ILO unemployment, was 52,200 in Greater Birmingham in 2022 (figure below), representing 5.2% of the economically active population. Claimant unemployment is somewhat higher at 79,375 or 7.9%. Adding the economically inactive who say they want a job to ILO unemployment gives a total of 96,600 people who can be considered involuntarily out of work, representing 9.2% of the active workforce plus the inactive who say they want a job.

Three measures of unemployment in Greater Birmingham, 2017-22



Sources: Office for National Statistics Annual Population Survey and Claimant Count for Greater Birmingham & Solihull LEP area, accessed via Nomis. APS data are for 12-month calendar years; Claimant Count is for June of each year.

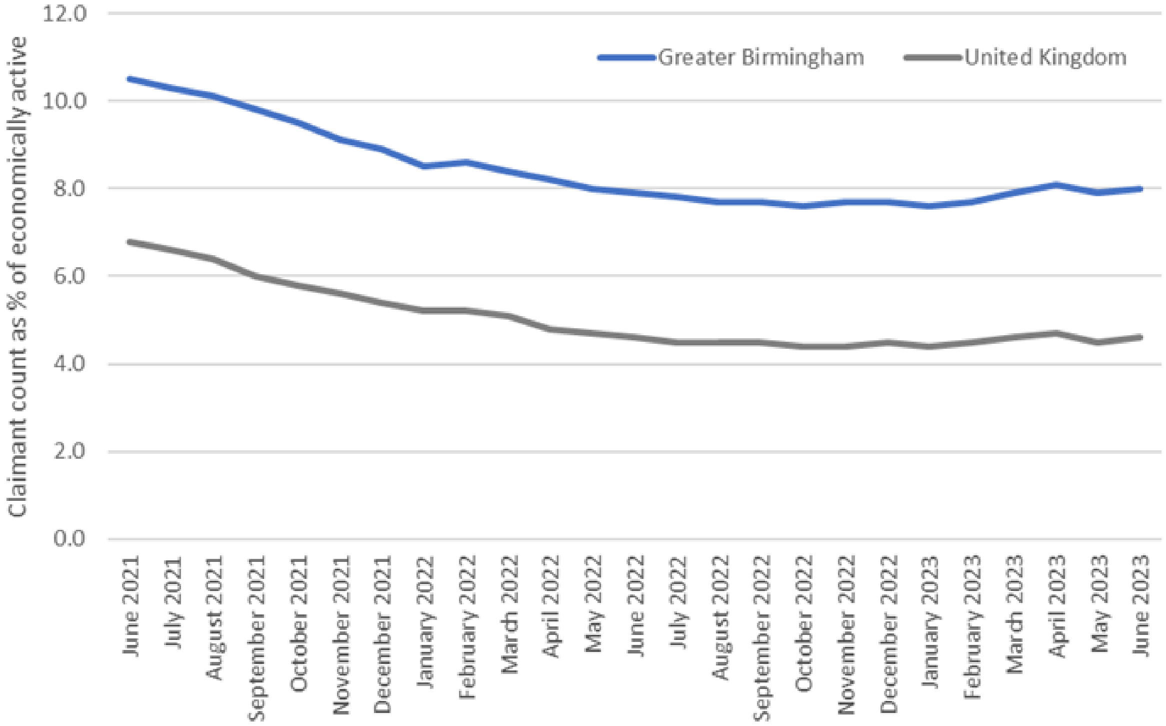
What are the recent trends in unemployment in Greater Birmingham and the UK?

During the Coronavirus pandemic, claimant unemployment rose sharply but ILO unemployment rose only modestly in Greater Birmingham (figure above). This was in part because lockdown meant hiring and job search activities were difficult or impossible – and thus fewer people met the job search requirement in the ILO definition than might otherwise have been the case.

All three measures are considerably lower than at the Coronavirus peak in 2020. There were particularly sharp drops in both claimant and ILO unemployment between 2021 and 2022. Over this one-year period in Greater Birmingham, claimant unemployment fell from 103,085 to 79,375, and ILO unemployment from 68,400 to 52,200.

Monthly claimant count data allow us to zoom in on what has happened more recently since 2022. The decline in unemployment since the Coronavirus peak in 2020 levelled off throughout 2022 and then rose slightly in the first half of 2023 (figure below). Greater Birmingham almost exactly mirrors movements in the UK trend over this period, but consistently has claimant unemployment around 3.5 percentage points above national average.

Monthly claimant unemployment rate in Greater Birmingham and UK, June 2021 – June 2023.

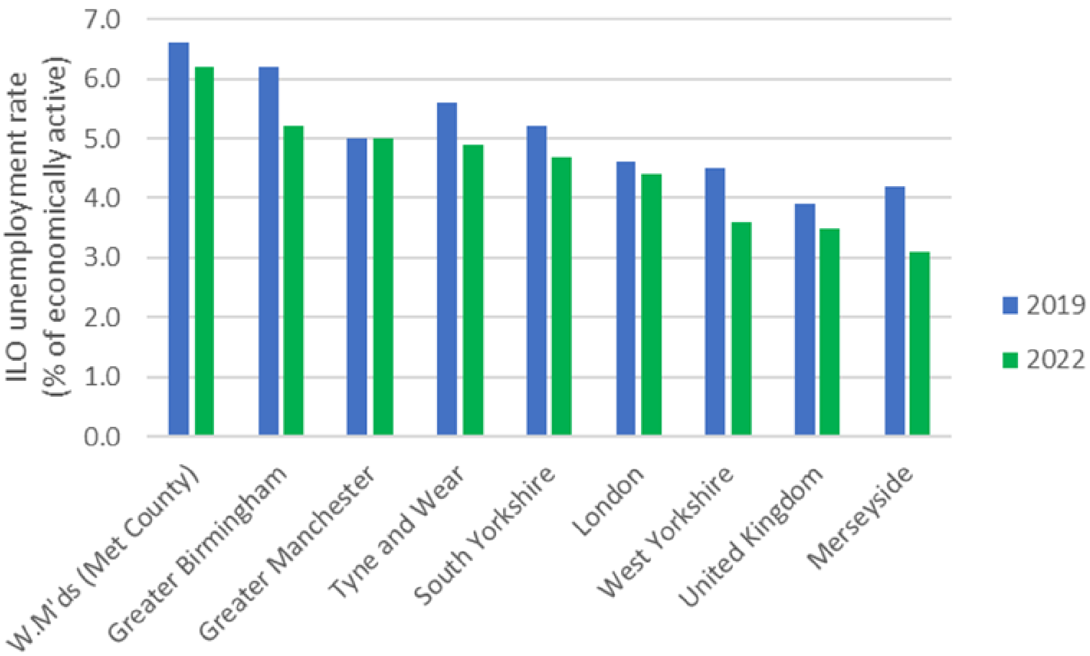


Source: Office for National Statistics Claimant Count rate for Greater Birmingham & Solihull LEP area, accessed via Nomis.

How does unemployment in Greater Birmingham compare to other metropolitan areas?
Cities usually have higher unemployment than towns and rural areas. This is due to a variety of factors, including large and competitive urban labour markets; skills and spatial mismatches arising from legacies of economic restructuring; younger and more diverse populations in cities; and higher levels of social deprivation. However, of all English metropolitan areas, the West Midlands Metropolitan County has the highest ILO unemployment rate (figure below). Greater Birmingham also had higher unemployment than any other metropolitan area.

Since pre-pandemic (2019) levels, Greater Birmingham recorded the second largest drop in unemployment (from 6.2% to 5.2%) after Merseyside (which fell from 4.2% to 3.1%). The West Midlands Metropolitan County saw a smaller drop (from 6.6% to 6.2%).

ILO unemployment in metropolitan areas, 2019 and 2022



Source: Office for National Statistics Annual Population Survey for: Metropolitan Counties, Greater Birmingham & Solihull LEP area, London region and UK, accessed via Nomis.

Conclusions

Unemployment nationally and in Greater Birmingham may be somewhat higher than the Government's official ILO measure suggests. The official unemployment rate in Greater Birmingham in 2022 stood at 5.2% of the active workforce, compared to 7.9% receiving state benefits for reasons of unemployment. Adding economically inactive people who want a job to the official unemployment figure takes it to 9.2%, although some of this group face considerable obstacles to re-entering employment.

Trends until the middle of 2022 are indicative of a tightening labour market (less labour supply relative to demand) in Greater Birmingham. However, there is still considerable slack in the Greater Birmingham labour market for employers to draw on, at least in terms of the numbers out of work. Worryingly, the post-Covid fall in very high claimant unemployment has stalled since the middle of 2022 and remains above its pre-pandemic level – both in Greater Birmingham and the UK.

There is a powerful national narrative about labour shortages and low unemployment – and for good reason. However, unemployment in Greater Birmingham was higher than the UK average going into the pandemic and has remained so since.

High unemployment in Greater Birmingham is not just a function of being a big city. All other English metropolitan areas have unemployment rates below that in Greater Birmingham. The city and its partners therefore need to keep a focus on bringing unemployment down, while also addressing sector and business-specific recruitment problems.

[Read the Birmingham Economic Review in full.]

The LPIP Hub: Can Productivity Bring Around the Change We Need in Places?

Rebecca Riley, WMREDI

Rebecca Riley recently attended an RSA Urban Futures Roundtable looking at the potential of the UK's cities. In a series of blogs, Rebecca reflects on the challenges facing places in building regenerative economies.

This blog is for the Local Policy Innovation Partnership Hub which launched earlier this year. The Hub seeks to address nationwide issues through local partnerships and places. It is a national consortium led by the University of Birmingham and funded by the URKI.

In the final blog in the series, Rebecca asks whether productivity growth is enough to create the places we need? Should this idea drive policy to improve places?

Read the other blogs in the series.

Given the broad functions cities perform as detailed in the previous blog, should productivity growth be the sole driver of change?

Not a lot of change
Policy has been tackling productivity disparities for decades and not a lot has changed. So, cities must think hard about what they can do to make a difference. The public sector overall does not directly affect productivity in the business landscape, it can create the conditions for growth though. Through some of the interventions listed in the previous blog, the public sector can innovate and change the way places, residents, services, and businesses interact, which can affect the productivity, well-being, and wealth of places.

National and local demands
Many policies are decided outside the influence of cities and their leadership, so national politics and policy approaches are central and influential as the list above shows. Adopting a city strategy that tackles all these policy areas, which we know are important, needs to take account of national policy and local demands.

Reviewing the geographical level of policy interventions
Cities need to work with their neighbouring suburban and rural areas and negotiate with the government to ensure investment and policy change which works to respond to the potential innovative interventions for wider place growth. However, as one of the most centralised countries in Europe, there is less scope for cities to influence and drive change as they lack the real levers or ability to deliver the range of programmes mentioned above. We need to review the geographic level of policy interventions, so they enable cities (and the hierarchy of places) to drive changes for future growth.

A Place-based approach
The challenge of a productivity-driven economy is that we can lose the sense of the place, and how do we ensure we are tackling the human? In any place-based approach, there needs to be an examination of how its strategic plan approaches:

1. Embedding the quality and sustainability of growth as an essential design principle?
2. If capital is important in a productivity-based approach, and poor cities need investment to grow – what are the other resources which are important – and how do we value all forms of capital – human, social, financial, and environmental?
3. How do we broaden and diversify stakeholders – greater devolution, community engagement and design principles, embedded incentives to invest?
4. How do we strengthen relationships with the national government and jointly create national frameworks for change? How do we encourage deeper devolution and encourage clear rules of engagement and equitable rules-based ways of transferring funding?

Local institutions have been hit hard by austerity, this has undermined the delivery of services and public perceptions of place, making it difficult both on a perception level but also at an operational level for city leadership to lead change and innovation. The public sector does not create growth, it creates the conditions for growth, and underinvestment leads to stagnation and decline in cities. Leadership needs investment to drive confidence, capability, and capacity to be resilient against future trends and to adapt and grow.

The LPIP Hub: How do we Reach our Vision for Cities and Places?

Rebecca Riley, WMREDI

Rebecca Riley recently attended an RSA Urban Futures Roundtable looking at the potential of the UK's cities. In a series of blogs, Rebecca reflects on the challenges facing places in building regenerative economies.

In the third blog in the series, Rebecca looks at the key steps we can take to reach our vision for cities and places.

This blog is for the Local Policy Innovation Partnership Hub (LPIP Hub) which launched early this year. The Hub seeks to address nationwide issues through local partnerships and places. It is a national consortium led by the University of Birmingham and funded by the URKI.

Cities and city leaders need to innovate to grow, and this needs to happen across a range of policy areas. There are both local and national levers which can be implemented to help cities innovate:

Collaboration and Partnerships

Foster collaboration among stakeholders, including government, academia, businesses, and community organizations. Establish partnerships to share knowledge, resources, and expertise. Engage with local universities and research institutions to leverage their knowledge for urban innovation and problem-solving.

Key intervention ideas – Co-owned long-term city region strategies; single pots or co-investment/combined funds; pooled resources – intelligence and insight; and increased investment in local anchor institutions.

Social Innovation and Inclusion

Encourage social innovation to address societal challenges and foster inclusivity. Leaders should support and invest in initiatives that tackle issues that strengthen the social fabric such as affordable housing, reducing homelessness, investing in education, and greater healthcare access. Facilitating greater collaboration between public, private, and non-profit sectors to develop innovative solutions that address the needs of marginalized communities.

Key intervention ideas– procurement routes based on innovation and social outcomes; procurement routes for social enterprises and community-owned companies; investment in delivering good work charters; and city-level living wage approach.

Resilience Planning

Develop resilience strategies to address future pandemics, climate change, natural disasters, and other shocks. Enhance infrastructure resilience, implement early warning systems, and integrate nature-based solutions for disaster risk reduction. Encourage community engagement and empower residents to build resilient neighbourhoods. Invest in resilient businesses.

Key intervention ideas – Invest in capacity, capability, training and innovation in Local Authority teams; skills development in risk assessment and analysis; system redundancy assessment and diversification strategies which reduce dependency on single suppliers and ensure alternative options if there is failure; creating flexible governance structures and contingency planning as seen during the pandemic, promoting collaboration, fostering participative decision making to achieve shared outcomes; develop early warning systems that alert partners to potential risks, social, environmental or economic shocks; involve the community in planning processes, services and empower them in local decision making; promote systems thinking especially in the management of natural resources; create more resilient economies through effective smart specialisation alongside appropriate diversification from single industry economies; and invest in social security safety nets which support vulnerable residents often overlooked in cities.

Creative Financing Models
Explore innovative financing models to support urban development projects. These may include public-private partnerships, impact investing, crowdfunding, and social impact bonds. Encourage investment in sustainable infrastructure, affordable housing, and community-driven initiatives.

Key intervention ideas – innovative use of pension funds, lending and borrowing at the local level; sharing the risk and rewards through sustainable and efficient public-private partnerships which act in the public interest; impact investing in activities which produce positive social and environmental impacts; crowdfunding especially for creative, social or community and cultural activities; Social Impact Bonds as contracts between local government and private investors to fund social programmes; revolving funds which enable local authorities to develop a pool of money to invest which is replenished when there is a return on the investment or loan; Green Bonds, which raise capital for projects with environmental benefits; microfinancing where traditional banks offer limited support; asset repurposing or recycling selling underperforming assets in order to invest in other assets; peer-to-peer lending platforms to connect investors to ideas directly; specific competitions which address an innovation challenge; work with national government to provide tax incentives or wealth funds which encourage private investors to invest in specific city level schemes.

Data-Driven Decision Making
Harness the power of data analytics and artificial intelligence to inform decision-making processes. Invest in better use of data to identify urban challenges, monitor performance, and evaluate the impact of policies and interventions. Utilising predictive analytics and responsible AI approaches for proactive, risk assessment, planning and resource allocation.

Key intervention ideas – Robust, collaborative cross organisational data collection to gather shared relevant and reliable data and establish data governance and quality assurance practices; develop shared data visualization tools and techniques to present complex data in a clear and easily understandable format; data literacy training; Define clear and measurable key performance indicators that align with organizational objectives, outputs and outcomes; utilise ethical, data analytics methods, such as real-time data monitoring, benchmarking and comparative analysis, controlled experiments; predictive analytics, forecasting, statistical analysis and machine learning, to extract meaningful insights from the data; Build capability and skills in data analysis who can interpret the findings to inform decision-makers; and bring this together within decision support systems which feed into the decision-making processes.

Smart City Technologies
Embracing smart city technologies to enhance urban services and efficiency. This includes a range of socially responsible activities such as implementing sensors, data analytics, and Internet of Things (IoT) devices to monitor and manage infrastructure, transportation, energy, water, and public services. This can enable data-driven decision-making, resource optimisation, improved service provision and improved quality of life for residents. However, these technologies do not replace well-maintained hard infrastructure.

Key intervention ideas – sensors such as air quality, traffic flow, waste management and energy consumption; smart grids and energy management systems; intelligent transport systems to improve flow and reduce congestion; real-time traffic monitoring, smart parking, and route planning; integrated urban mobility solutions; smart street lighting; open data platforms; citizen engagement platforms and feedback; smart water management; digital civic solutions (alongside accessible solutions); smart healthcare which has accelerated in the pandemic such as telemedicine, remote patient monitoring and predictive analytics for disease monitoring; environmental protection monitoring; real time monitoring for disaster prediction; smart education systems such as e-learning, smart classrooms and digital learning.

Digital Connectivity and E-Governance

Improve digital connectivity and promote e-governance initiatives. Enhance access to high-speed internet and digital services for all residents. Implement online platforms for citizen engagement, feedback collection, and participatory decision-making. Leverage technology for transparent and efficient government operations and service delivery.

Key intervention ideas – digital and mobile services portals (alongside accessible human services); citizen engagement platforms, which complement other forms of engagement; utilisation of national digital identity and authentication processes for local services; ensure interoperability across services; online service payment options; automation of bureaucracy and forms; use of social media and digital platforms to communicate; and utilise government and university data centres and cloud services.

Renewable and Efficient Energy

Transition to renewable energy sources and improve energy efficiency in buildings, public lighting, and transportation systems. Promote the use of solar panels, wind turbines, and energy-efficient appliances. Develop district energy systems and microgrids to enhance energy resilience and reduce carbon emissions.

Key intervention ideas – single point of information for government support; renewable energy incentives such as tax credits, grants and feed-in tariffs; targets for percentages of energy generation within specific timescales; net metering allowing energy producers to put back into the system; implement and monitor energy efficiency standards; energy audits and efficiency programmes which support transition for households and companies; upgrade infrastructure to smart grids; investment in local and international research on local energy storage solutions, and renewable energy technologies; invest in public transport and EV infrastructure; support community-based renewable energy initiatives; local carbon pricing mechanisms; green procurement policies; and public awareness and education programmes.

Circular Economy and Waste Management

Implement circular economy principles to minimize waste generation and promote recycling, upcycling, and resource recovery. Encourage sustainable waste management practices, such as composting and waste-to-energy initiatives. Emphasize the reduction of single-use plastics and promote responsible consumption and production patterns.

Key intervention ideas – extended producer responsibility holding manufacturers to account for the lifecycle of products; waste segregation in households and businesses; recycling and upcycling initiatives; composting programmes; promote circular design and product information; material recovery facilities; waste to energy facilities; deposit return systems; encourage and support businesses to adopt circular business models; zero waste initiatives; specific public-private partnerships and green procurement approaches that tackle initiatives.

Sustainable Urban Planning

Adopt sustainable urban planning practices that prioritize compact, mixed-use development, efficient transportation networks, and green infrastructure. Integrate principles of walkability, bike-ability, and public transit to reduce reliance on cars and promote active transportation. Incorporate green spaces, parks, and urban farming to enhance environmental sustainability and residents' well-being. City region planning powers; combined funding pots for infrastructure investment; investment in green and blue infrastructure. Urban-rural connectivity is essential when considering the growth and utility of cities, it is crucial for balanced regional development, improved economic opportunities and overall societal progress.

Key intervention ideas – Additional activities beyond those mentioned above include – Mixed use planning which encourages zoning and recreational spaces; transit orientated development that prioritises the high-density mixed-use areas, with accessible blue and green infrastructure to encourage public transport use; investment in urban rural connectivity and upgrading of public transport networks; investment in and access to green infrastructure including parks and urban forests; pedestrian, disability, child friendly design; energy efficient building design; climate responsive design considering local climate change and extreme weather events; affordable housing and inclusivity encouraging mixed income neighbourhoods; adaptive reuse and historic preservation encouraging the maintenance of the distinctiveness, character and cultural heritage of places; investment in resilient digital infrastructure which connects sociodemographic communities, hinterland and rural areas; investment in services which support suburban and rural areas which rely on cities such as financial accessibility, skills development and education and health and wellbeing; and incentives for urban rural investments, tax and other support measures to stimulate investment outside urban centres.

Cultural and Wellbeing Planning

Cities need to capitalise on their diverse societal ecosystem, with a focus on leveraging cultural activities, heritage, and artistic expressions to enhance individual and community well-being. Activities in this policy area aim to foster a sense of identity, belonging, and social cohesion while promoting mental, emotional, and social health, often overlooked in planning but fundamental to the social fabric of places. These activities can provide a platform to harness the power of a city culture and drive a deeper appreciation and understanding of the place and what it has to offer locally, regionally, nationally and internationally

Key intervention ideas – cultural events and festivals that enhance local traditions, sports, arts, music and cuisine; promoting artistic expression and creative activities; cultural exchange programmes which promote learning across diverse communities and groups; community arts programmes that make places more attractive for residents, businesses and visitors; intergenerational programmes which bring together people from different ages, to share experiences; cultural therapy programmes to address mental health through a culturally sensitive approach; cultural education in schools incorporating local history, traditions and preserve cultural narratives; community cultural centres; art therapy programmes to use creative expression as a means of personal growth; cultural awareness training; collaborative cultural projects to achieve community aspirations with artists; cultural tourism sustainable tourism that promotes cities, their traditions, heritage and economic development raising perceptions of place; and cultural mentorship that that connects individuals with practitioners to create skills development and knowledge sharing.

In the next blog in this series, Rebecca discusses whether productivity can bring the change we need in places.

View the previous blogs in the series:
The LPIP Hub: What are Cities and What Role Do They Play in our Social, Economic, and Environmental Systems?
The LPIP Hub: What are the Challenges Faced by Cities and Places? What do we Want and Need Them to be?

Early Assessment of the Digital Innovators Ideator

Alice Pugh, WMREDI

The Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) commissioned an independent report, produced by City-REDI, which evaluates the programme theory and impact of the Digital Innovators Ideator. Alice Pugh discusses the evaluation.

The Ideator is a programme for young people (aged 16 to 24), focusing particularly on those at risk of becoming NEET (not in education, employment or training), which offers the opportunity for structured career and work experience.

The programme aims to enhance student engagement, confidence and motivation, through real-world work experience. The Ideator is delivered in partnership between Digital Innovators and employers and is based on the Innovation Birmingham campus. The employers identify specific business issues that Digital Innovators develop into innovation challenges which provide the basis of Digital Innovators' "learning by doing" approach where young people can build skills in a practical way by working on real-world issues faced by businesses, developing problem-solving skills, generating solutions for businesses.

Each Ideator project is staffed by a combination of learners ("digital apprentices"), experienced designers, developers, and project managers as well as seasoned industry professionals from Digital Innovators' own staff, alongside those from local businesses. Facilitating the collaboration between young people in the region and employers through live work projects to produce tangible business improvements. This combination of learning by doing and specialist training enables young people to develop their employability, by developing key essential soft skills and exposing them to professional workplace and work.

The evaluation demonstrated that the Ideator is a strong example of a boundary-spanning project. Connecting learners, educators, sector specialists and employers to create a demand-led skills programme, providing real work experience and producing tangible business improvements. The project successfully helped learners develop key essential skills, improving the employability of learners in the future. Employers gained tangible business improvements through the innovative solutions that students developed.

Skills Development

Students found participating in the project was highly beneficial, helping them to develop a wide range of key essential soft skills including:

Confidence

The experience that students had gained whilst participating in the Ideator, had helped them to build confidence in their own abilities. The exposure to professional settings and challenges had allowed them to gain experience in skills, on a standard academic course they would have been unlikely to be exposed to. The Ideator provided students with invaluable work experience skills, building their confidence in their own abilities.

Communication and Interpersonal Skills

Presenting was the main form of communication which students referenced. They found they had improved their abilities to present effectively in public settings, which had eased their anxieties about having to perform similar tasks in the future.

Often students conveyed their improved abilities to effectively communicate their ideas and opinions to peers and employers. Particularly highlighting their newfound ability to professionally engage and communicate with employers, which they thought would be a useful skill in the future, especially when applying for jobs and during interviews.

Teamwork and Collaboration
The students identified that they had learnt how to work effectively and professionally as part of a team. Employers had also identified collaboration as one of the key skills that students had demonstrated in The Ideator. Learning how to get the best out of team members, understanding the different strengths that team members offered and learning how these could be applied to the project challenges that they faced.

Problem Solving, Creativity and Innovation
Employers found that students demonstrated a lot of creativity and innovation when developing problem-solving solutions to the project challenges they faced. They found that students brought fresh and unbiased solutions and ideas, to industry challenges. In some cases, highlighting their inexperience was beneficial. As students were unburdened by technical skills which might see them testing standard methods to resolve challenges, instead they could be more creative and innovative in their approaches to problem-solving.

Time Management and Organisation
Throughout the case study testimonies by students many noted they had developed their time management and organisational skills. Usually with regards to balancing different facets of their personal and educational life, this was particularly emphasised by those who were in part-time employment whilst working in the Ideator. This was also seen as a valuable skill by students, as it would be applicable to either their future careers or higher education studies.

Value for Money

The true wider economic benefits of the impact of this project would be difficult to estimate without a longitudinal study of the progression of learners, through their academic or career pathways. Research from Skills Builder has found that the development of essential skills through projects such as these could lead to a wage premium uplift of between £3,900 to £5,900, over a lifetime of earnings.

However, as a direct result of learners working on projects with employers, some students were offered apprenticeships. This was a high-level outcome that Digital innovators hoped would be achieved but had no control over. The impact of these apprentices being employed generated a net present value of £194,181 and a benefit-cost ratio of 3.59, after discounting, additionality factors and programme costs had been taken into account. This means that for every pound spent funding the programme it generated an additional £3.59 in the wider economy. Given only 8 apprenticeships were secured in the duration of the Ideator, there is potential for a much greater economic impact if a greater number of apprenticeships could be secured.

View the report – Digital Innovators Ideator Evaluation

The LPIP Hub: What are the Challenges Faced by Cities and Places? What do we Want and Need Them to be?

Rebecca Riley, WMREDI

Rebecca Riley recently attended an RSA Urban Futures Roundtable looking at the potential of the UK's cities. In a series of blogs, Rebecca reflects on the challenges facing places in building regenerative economies.

In the next blog in the series, Rebecca summarises some of the key challenges faced by cities and places. What do we want and need them to be?

View the first blog from the series - What are Cities and What Role do They Play in our Social, Economic, and Environmental Systems?

This blog is for the Local Policy Innovation Partnership Hub which launched early this year. The Hub seeks to address nationwide issues through local partnerships and places. It is a national consortium led by the University of Birmingham and funded by the URKI.

Our work in the West Midlands highlights many challenges facing cities, through global megatrends, but these challenges are faced by all places.

Governance and Citizen Participation

Both the pandemic and austerity have created challenges to effective governance and transparency, creating a need for a more active approach to citizen participation. It is crucial in order to address urban challenges to adopt an approach that engages residents in decision-making, promotes participatory planning, and ensures accountability in city and local administration. These are all ongoing, constant challenges that need to be responded to strategically and practically.

Engagement in place

People need to feel part of and invested in a place. Cities have highly mobile workforces, and well-being and work-life balance along with housing and care pressures are changing the nature of what people expect and need from where they live. A highly mobile population will move for better circumstances and opportunities. Cities need to keep up with this and offer a holistic, well-rounded set of services and opportunities.

Rapid and changing population growth

As places age and the second baby boom generation is hitting retirement these changes are putting a strain on infrastructure, housing, and public services. These changes are also creating increased pressure on already tight labour markets, as vacancies rise, and people are forced to work longer. Managing the influx of people into cities, the changing population profiles and ensuring adequate housing, transportation, education, health, and basic amenities is a significant challenge.

Infrastructure

Cities need to continuously **upgrade and expand their infrastructure** to meet the growing demands of urban populations. The long-term lack of investment in public services following austerity, recovery from a pandemic, ageing Victorian infrastructure and failing private sector models are putting a strain on infrastructure. This includes transport systems, water supply, sanitation, energy networks, waste management, and digital connectivity. Most infrastructure in the UK is ageing and requires modernisation and retrofitting, the disadvantage in the long term as being a first mover from the industrial revolution (especially in Northern and Midlands Cities) is infrastructure which was once an opportunity becomes a weakness if it is not invested in and maintained.

Traffic congestion

Urban areas frequently struggle with **traffic congestion**, leading to increased travel times, pollution, and reduced quality of life. Developing efficient and sustainable transportation systems, including public transit, cycling infrastructure, and pedestrian-friendly environments, is essential to address these challenges as well as tackling climate change. Policies that enable and encourage local living and working, which are easier to implement in cities, can ease these issues as was seen in the pandemic.

Housing affordability and accessibility
In a high inflation economy as we are experiencing now, with rising housing costs, limited affordable housing options create challenges for low-income residents. Recently this is becoming an issue for the middle class, and housing contributes significantly to our current cost of living crisis due to the knock-on impact of the rise in interest rates to curb inflation. Cities and local authorities need to address the issue of housing affordability, promote inclusive housing policies, and provide adequate affordable housing options for all residents. However, there is a battle between places being desirable and therefore housing prices rise due to demand and local authorities having the budget to maintain social housing as costs rise (and housing continues to become more unaffordable).

Inequality and Social Issues
The pandemic exposed significant **inequality and social Issues**. Cities often face socioeconomic disparities, with unequal access to resources, opportunities, and public services and as they grow, they can become more unequal if that growth is not distributed. Income inequality, poverty, homelessness, and social exclusion are pressing challenges that require attention and intervention from local authorities through proactive policies to ensure wealth and opportunity are accessible and distributed.

The environment
Cities are significant contributors to **environmental degradation**, ensuring sustainable urban development, implementing eco-friendly practices, and mitigating climate change are crucial. Policies that enhance green and blue infrastructure in cities are becoming more vital in tackling environmental constraints and impacts. We currently do not know at a city level if we are transitioning to Net Zero – the UK is also lagging behind other countries on many environmental indicators.

Resilience and Disaster Management
Cities face risks from natural disasters, including floods, water scarcity, pandemics as well as human-induced crises. Building resilience to withstand and recover from such events requires robust disaster management plans, infrastructure preparedness, and community engagement.

Digital Transformation
Rapid advancements in technology, including automation, artificial intelligence, and the Internet of Things, bring both opportunities and challenges. Cities need to embrace digital transformation while addressing concerns related to skills, business models, service redesign, data privacy, cybersecurity, innovation and ensuring equitable access to digital services.

Health and Well-being
Urban areas face unique health challenges, including air pollution, inadequate healthcare facilities, lifestyle-related diseases, and mental health issues. These trends can have differential effects on different groups, such as the young and older generations. Promoting health-conscious urban planning, accessible healthcare services and green spaces can enhance the well-being of city residents.

Considering those challenges, what is our vision for cities in the future? What do we want and need them to be?

As highlighted, the issues cities face, would point to a future city vision which should prioritise the well-being and quality of life of its residents. Cities should aim to create vibrant and inclusive neighbourhoods that offer affordable housing options, access to healthcare, education, cultural amenities, and recreational spaces which maximize residents' access to opportunities. Any vision should promote social cohesion, diversity, and equal opportunities for all residents and workers, fostering a sense of belonging and community.

This would indicate the criteria of success should drive investment towards inclusive economic, social, and environmental outcomes:

- Ensuring local goals contribute towards a national plan for sustainable change.
- Outcomes-based approaches should align across government, and departments should have consistent strategies and funding approaches that allow cities to reach their full potential.
- Procurement, funding, and commissioning which enables partnerships, innovation, and investment to thrive.
- Cities and city regions should mobilise capital and financing to achieve shared objectives.

In the next blog in the series, Rebecca asks how do we reach our vision for cities and places? What steps can we take to get there?

The 15-Minute City: Good Urban Planning or an Attack on Personal Freedoms?

Magda Cepeda Zorrilla, WMREDI

At the recent Conservative Party Conference, the 15-minute city was highlighted as an attack on personal freedom.

In this blog, Magda Cepeda-Zorrilla looks at what a 15-minute city is, gives examples of where it's been implemented and whether it might restrict people's freedom.

The Department for Transport (DfT) recently released the Plan for Drivers document, which states that it will explore options to stop local councils from using the so-called "15-minute cities", to police people's lives.

But what are 15-minute cities? Where is this urban scheme currently being implemented? And why is it being argued that the scheme is used to "police peoples' lives"?

At the end of 2021, in the post-COVID pandemic, I had the opportunity to write a thought-provoking document called Megatrends in the West Midlands: Future Mobility. In this document, I talked about how the post-pandemic presented the possibility of reinventing the cities to become more sustainable and inclusive. I also brought attention to the new megatrends to adapt to the future of mobility and talked about concepts such as hyper-proximity, compact city and the 15-minute city.

In this blog, I want to focus on these three concepts because they are interconnected and, although they vary across the cities, all are based on the same principle: inverting the transport planning pyramid and prioritise walking and cycling (Nieuwenhuijsen, 2020), as well as encouraging the use of public transport rather than private vehicles. The following sections will describe what hyper-proximity means and what the characteristics of a compact city are; then I will explain what a 15-minute city means, which cities have adopted this urban scheme, and finally I will explore the argument that the 15-minute city might limit people's freedom.

Describing hyper-proximity and compact city

Hyper-proximity is a concept introduced by the cities of Groningen and Utrecht in the Netherlands as well as Copenhagen and Aarhus in Denmark. The concept is based on the idea of "developing social, economic and cultural interactions, of ensuring substantial densification, while increasing spaces for public meetings and mixing, travelling by foot or cycling and ensuring that digital technology becomes a factor of social cohesion and inclusion" (Moreno, 2019).

The compact city refers to a city with "higher densities that are contained and reduce urban sprawl, protect agricultural and amenity land, and make more efficient use of the existing urban land. There is a mixture of uses in close proximity that claim to encourage sustainable modes of travel such as walking, cycling, and public transport. Environmental, social, and economic benefits result from less dependency on cars and a reduction in GHG emissions. Higher densities and the close proximity of a larger population would mean that local businesses become more viable" (Jenks, M. 2019).

What is the 15-minute city?

The "15-minute" city is an urban model based on the idea of 'neighbourhood units' developed by Clarence Perry during the 1920s. Other variations of this concept are the 'urban cells' or 30- and 20-minute neighbourhoods that have also emerged across the globe in the past decade (Deloitte). The "20-minute city" was described by Kent Larson in 2012 and is an urban model that "creates safer, healthier and happier communities, but also helps to reduce the amount of traffic on our roads and improves air quality for all" (Sustrans, 2023).

The 15-minute city was proposed in 2016 by urbanist professor Carlos Moreno, where “locals are able to access all of their basic essentials at distances that would not take them more than 15 minutes by foot or by bicycle and with hyper proximity and accessibility for everyone at all times” (Moreno, et al. 2021). According to researchers, the main attributes of this urban scheme are these:

- It is intended to function as a model for reconnecting people to their neighbourhoods and localising city life.
- In terms of physical planning, it is heavily based on attributes that have been used in the past, namely accessibility, walkability, density, land use mix, and design diversity.
- It aims to restore the urban planning concept of proximity by bringing activities to the neighbourhoods and not people to the activities.

According to Carlos Moreno, the 15-minute city is based on four principles: proximity, diversity, density and ubiquity, where neighbourhood development must cover six primary social functions: housing, employment, shopping, health care, education and entertainment.

Where have 15-minute cities been implemented so far?

Following there is a list of the cities where the 15-minute city or its variations have been implemented.

International examples

- **Barcelona** (Spain) implemented the ‘superblock’ approach and has seen a 31% increase in the number of ground-level commercial establishments – rising from 65 to 85 – indicating a positive impact on commercial activity.
- **Bogotá** (Colombia) implemented a ‘vital neighbourhoods’ vision, including a series of children’s priority zones centred around childcare centres.
- **Buenos Aires** (Argentina) is working to bring green space, fresh food markets, health services, recycling points and other amenities to every neighbourhood, and improving walking and cycling infrastructure – including by creating one of the world’s largest car-free zones.
- **Melbourne** (Australia) has developed 20-minute neighbourhoods in three areas where everything – shops, schools, parks, doctors – is within a 20-minute walk, a bike ride or on public transport.
- **Milan** (Italy) is upgrading streetscapes through its open squares and roads programmes, sustainable urban mobility plan, and introduction of a 30 km/h city speed limit (down from 50 km/h) on 60% of the road network.
- **Paris** (France) is treating schools as neighbourhood ‘capitals’, enabling these properties to serve multiple functions alongside childhood education, and working to strengthen local commercial networks, services and production under a ‘Produced in Paris’ brand.
- **Portland** (Oregon, USA) benefited from baseline studies that sought to understand the potential of 20-minute neighbourhoods, and an anti-displacement action plan that aims to ensure equitable development and reduce displacement and its impact – both developed with the participation of residents.

Examples in the UK

- **Ipswich** in Suffolk: Ipswich Central, the Business Improvement District for the town centre, announced the plan in 2021, with the objective of growing the number of residents and encouraging new housing developments, as well as creating a “Connected Town Centre”.
- **Birmingham**: At the beginning of 2023, Transport for West Midlands (TfWM) announced the city’s 15-minute transport plans. One of the main ones is to rearrange all the amenities in the city within 15 minutes’ distance of residents, by foot, vehicle, bicycle or motorbike.
- **Bristol**: is looking to develop a 15-minute neighbourhood. Its plan involves Chelsea Road in Easton, which is a two-way street that sees a high level of traffic every day, making it hard for pedestrians and cyclists to pass through.
- **Sheffield**: In 2022, Sheffield’s council proposed to introduce 15-minute neighbourhoods into the city. Which would aid the regeneration of local and independent businesses due to the higher affluence of people.
- **Canterbury**: Plan to focus on the further development of the city’s infrastructure, adding new homes, jobs, schools, community spaces, green areas and hospitals.

Will a 15-minute City limit people's freedom?

The majority of the public in the UK (62% being in favour of the idea) would support their local government in the adoption of a 15-minute city (YouGov), however, some critics of this urban model have a "dystopian image of the city", where people would be confined to the 15-minute radius of their neighbourhood and would lose the freedom to move between areas (City Monitor, 2023). Other critics, such as the urban designer Jay Pitter, argue that implementing this model and any of its variations outside Europe will require "drastic interventions and investments" and might not work if current embedded segregation in city planning is not addressed first (O'Sullivan, 2021). Although current urban issues may need to be addressed to implement 15-minute cities, specifically about losing freedom doesn't seem likely based on the principles of the model.

The C40 Cities Climate Leadership Group, for instance, has stated that "A 15-minute city does not confine us to our neighbourhoods or restrict our ability to travel, […] it simply means that it will become more possible and pleasant to meet more of your day-to-day needs, like buying groceries, within a short walk or bike ride from home ***if you want to***. […] Being able to do more, close to home, does not change your freedom to travel further whenever you would like to". In the UK, the Department for Levelling Up, Housing and Communities said that "15-minute cities aim to provide people with more choice about how and where they travel, not to restrict movement."

In conclusion, every city is unique and requires careful planning and evaluation of the urban model that fits better with the city's characteristics. The hyper-proximity, compact city and the 15-minute city's main premise is that most things that people need such as housing, employment, shopping, health care, education and entertainment are located within a 15-minute walk or cycle from their residence. This means adopting an approach towards city centres offering services within walking distance. In compact and dense but friendly cities, people can reconnect to their neighbourhoods and can help boost the economy since the pedestrian streets can encourage shopping. Consider an urban model where people are at the centre of the planning has many benefits in the short term and in the long term and can lead to a more sustainable and inclusive society.

Flooding Risks in the Midlands: How Can We Mitigate Them?

Paige Davies, City REDI

Paige Davies, a City-REDI Summer Intern, looks at the impact of flooding on households, business, transport, nature and health.

Paige has recently graduated with a BSc in Geography and is about to begin a Masters in Environment, Development and Politics at the University of Birmingham.

Climate change has been recognised as a global challenge, seeing warmer and wetter winters, hotter and drier summers, and an increase of extreme weather events, resulting in droughts, heatwaves, and flooding. By 2050, flooding will affect between 2.6-3.3 million people in the UK (Kovats and Osborn, 2016). In the Midlands, flooding poses a threat to households, health, businesses, transport infrastructure and the natural environment.

Households

Flooding is a threat to households due to urbanisation and population growth, resulting in people living in more densely populated areas. The average cost of flood damage to a home in the West Midlands is £30,000 (Environmental Agency, 2023), with Birmingham at greatest risk of flooding damages in the UK after London (Adedeji et al., 2019). The East Midlands has the third highest number of properties at risk of flooding in England, with over 200,000 properties and over 400,000 people living in flood risk areas (East Midlands Councils, 2015).

Urbanised areas with high deprivation levels remain the most vulnerable to flooding (Fig. 1).

Flooding also increases deprivation due to financial damages. After a flooding event, financial costs are high due to the need for household repairs, loss of employment (both temporarily and permanently), and increased utility costs (West Midlands Combined Authority (WMCA), 2022). This widens inequality, with those in areas of high deprivation at greatest risk of being unable to maintain these costs, worsening health issues (UK Health Security Agency, 2022). Furthermore, insurance policies often increase after a flooding incident, becoming unaffordable, and leaving households unprotected.

Figure 1. Areas of deprivation and flood risk in the West Midlands

High areas of deprivation (the darker hues) overlain with the fluvial flood risk (the darker hues representing a greater risk of flooding) for part of the West Midland conurbation. Understanding how climate risk interacts with other variables is critical for effective adoption. Copyright Environment Agency.

Flooding can be managed in a variety of ways to reduce the impact on households. For instance, the construction of embankments and flood walls is the traditional albeit costly method to reduce flooding (Environment Agency, 2015). The Trent Left Bank Flood Alleviation Scheme in Nottingham is a £45 million scheme reducing the risk of flooding to 16,000 homes and businesses along a 27km stretch of the River Trent. The Tenbury Wells Flood Risk Management Scheme in Worcestershire reduces flood risk for 120 residential and 145 commercial properties by constructing flood walls and embankments. Natural methods should also be considered, such as the use of sedum roofing and sustainable drainage systems. The installation of sedum roofing is particularly useful in highly urbanised areas, retaining and slowing the release of heavy rainfall, while using no additional space, utilised by Nottingham Trent University (Climate East Midlands). Another method implemented in new housing developments is Sustainable Urban Drainage systems, which increases water storage capacity, reducing flooding (Environment Agency, 2021).

Health

Sandwell, Walsall, Wolverhampton, and Central Birmingham are at greatest risk of flood related health problems in the West Midlands, due to high deprivation levels (Fig. 1) (WMCA, 2022). Flooding events can cause morbidity, physical trauma, electrocution, as well as skin and gut infections from contaminated water, with access to healthcare reduced following a flooding event. After these events, health problems develop such as respiratory related disease due to damp and mould (WMCA, 2022), and increasing mental health problems, with those affected, or at risk of flooding reported to have increased anxiety, depression, and PTSD (Robin et al., 2020). Overall, flooding adds pressure to the NHS (East Midlands Councils, 2015), while exacerbating health inequalities.

Businesses

Flooding impacts businesses, with a single event disrupting supply chains and production time. This is especially problematic in the Midlands, which is dominated by manufacturing businesses such as Jaguar Land Rover. Flooding of industrial sites can create pollution problems, exacerbating impacts on health and nature. Flooding can also impact utility businesses, with the failure of just five of the region's electricity substations predicted to cost the Midlands £27 million per day (WMCA, 2022).

The agricultural industry is also negatively impacted. For instance, flooding in the East Midlands in 2007 destroyed wheat, barley and rape seed crops, costing each farmer on average £500,000, impacting 55,000 homes and overall causing £3 billion worth of damages (Climate East Midlands). Flooding events in agricultural areas shorten growing seasons, reducing productivity due to reduced soil fertility and resulting in local and regional economic losses (Sustainability West Midlands, 2004). However, there are opportunities to develop flood resistant crops to be grown in the UK, which in the East Midlands it is predicted would reduce financial losses by 35-85% in Lincolnshire alone (Gould et al., 2020). Flooding also produces economic opportunities for businesses, with growth in investment and consultancy jobs across the region (East Midlands Councils, 2015).

Transport Infrastructure

Flooding threatens traffic infrastructure. Flooding of roads and public transport is more likely in areas with poor drainage systems, reducing traction on roads, especially in winter months, when flooding is most likely to occur. This increases pressure on public transport services when roads become unsafe. This is especially true for the East Midland rail service, which is at greatest flood risk of all railway networks across the UK, due to being at risk from not only surface and groundwater flooding, but coastal flooding as well (Pregnalato and Dawson, 2018).

There is a myriad of safety measures in place to protect roads from flooding impacts, such as enhanced drainage systems, increased monitoring to reduce drainage blocks, and increased greenery near the roadside, all requiring additional labour to complete (Highways England, 2016). To ensure railway services are not disrupted, similar mitigations should be put in place, including the use of naturally irrigating plants around railways, and water storage tanks, which can recycle water in stations for heating, as have been adopted in the construction of HS2 (Environmental Agency, 2021). Flooding also creates job opportunities in geotechnics, focusing on ground stability to determine the durability of roads, pavements and bridges.

Nature

The Midlands contains a wealth of flora and fauna, with rare habitats and species found across the region that are at risk in the event of a flood. Flooding can destroy both species and habitats in freshwater, terrestrial and estuarine habitats, altering the community makeup and resulting in reduced biodiversity. This can allow for new species to settle, many of which are invasive species, such as Himalayan Balsam (WMCA, 2021). Flooding will also cause a migration of estuarine species to freshwater habitats because of sea level rises, of which the floods increase the salinity of these habitats. By restoring habitats to their natural state, like the SUNRISE project, Stoke, the heterogeneity of the habitat will be maintained, while also providing flora coverage to alleviate flood damage by the absorption of water (SUNRISE).

Overall, flooding presents a variety of risks that impact the entire Midlands region directly and indirectly. Local governments across the region should assess flood defences and highlight areas and communities most at risk. To protect the Midlands from the long-term effects of flooding, funding for flood defences should be applied on a multi-year basis. Despite various job opportunities, flooding has a negative impact on the Midlands, putting pressure on the NHS, reducing business productivity, disrupting the transportation of goods, and causing damage to households and livelihoods.

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

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

On the 9th November 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, the latest was from the 3rd November 2023) 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

Data from Pay.UK and Vocalink shows the total Direct Debit failure rate increased by 7% in October when compared with September 2023 and by 20% when compared with October 2022.

Bank of England CHAPS data reported in the week to 2nd November 2023, credit and debit card purchases increased by 2% from the previous week and increased by 5% compared with the same week in 2022 but was 6% lower when compared to the pre-coronavirus baseline.

In the week to 5th November 2023, overall UK retail footfall was 96% of the level of the previous week (coinciding with school half-term break across parts of the UK). Footfall decreased week-on-week in all three location categories. High street footfall saw the biggest change, decreasing to 94% of the previous week. Shopping centre footfall decreased to 97%, while retail park footfall decreased slightly to 99%. When compared with the same period of 2022, all location categories increased. The largest change was in shopping centres, which increased to 104% of last year's level. Retail parks increased to 103% and high street footfall to 101%.

In the week to 29th October 2023, the estimated growth in demand for fuel per transaction remained unchanged when compared with the previous week and was 12pp lower than the equivalent period of last year. Average growth in fuel prices decreased by 1 percentage point in the week to 29th October 2023 when compared with the previous week. This remains 30pp lower than the equivalent week in 2022.

Online Job Adverts

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

Nationally, between the 27th October and 3rd November 2023, total online job adverts decreased by 2.5%. On the 3rd November 2023, total online job adverts were at 110.1% of their average level in February 2020. Out of the 28 categories (excluding unknown) 26 decreased; the largest weekly decrease was in "catering & hospitality", which fell by 6.2% (to 146.7% of the average level in February 2020). The two categories that increased were "sales" by 0.3% (to 75.0% of the average level in February 2020) and "creative / design/ arts & media" by 1.1% (to 75.8% of the average level in February 2020). There were 14 categories that were below the February 2020 average level, with the lowest in "legal" at 64.8%.

Across all regions of the UK between the 27th October and 3rd November 2023, online job adverts decreased. The West Midlands online job postings fell by 1.9% and on the 3rd November 2023, it was at 108.7% of the average level in February 2020. On the 3rd November 2023, there were 5 regions below their February 2020 levels (London 87.7%, East of England 88.9%, South East 90.8%, Yorkshire & The Humber 97.4% and East Midlands 98.7%). In contrast, Northern Ireland was the highest at 170.8% of the average level of February 2020.

Advanced Notification of Potential Redundancies

Calculated as a rolling four-week average, the number of potential redundancies in the week to 29th October 2023 was 49% above the level in the equivalent week of 2022. The number of employers proposing redundancies was 24% above the equivalent week of 2022.

System Price of Electricity and System Average Price (SAP) of Gas

The National Gas Transmission, Elexon report that the System Price of electricity in the week 5th November 2023, there was a weekly decrease of 24%. When compared to the equivalent period in the previous year it was 16% lower. However, when compared to the pre-coronavirus baseline, the System Price of electricity was 177% higher. While for the SAP of gas, there was a weekly decrease of 9%. However, when compared to the equivalent period in the previous week it was 5% higher and 357% higher than the pre-coronavirus baseline.

Transport

In the week to 5th November 2023, the daily average number of UK flights was 5,050, a decrease of 11% when compared with the previous week. This follows usual seasonal patterns. This number is 11% higher than the number of flights seen in the equivalent week of 2022, but still 9% below the 2019 pre-coronavirus pandemic baseline.

Business Insights and Conditions Survey

The final results from Wave 94 of the Business Insights and Conditions Survey (BICS) based off the 5,141 businesses surveyed across the West Midlands that businesses have a presence in with a response rate of 28.5% (1,464) and 3,154 businesses that are head quartered in the West Midlands, with a response rate of 26.8% (845). Please note, the survey reference period was 1st to 30th September 2023 with a survey live period of 16th to 29th October 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.

Trade

33.7% of responding West Midlands businesses reported to exporting within the last 12 months, 3.4% reported to exporting over 12 months ago. While 48.9% of West Midlands businesses reported to have never exported and do not have the goods or services suitable for export – although, 6.4% reported to never exporting previously but have goods or services that could be developed for exporting.

52.0% of West Midlands businesses reported that exporting stayed the same in September 2023 when compared to September 2022. With 21.7% of West Midlands businesses reporting to have exported less and 14.1% reported to exporting more.

56.2% of West Midlands businesses reported that importing stayed the same in September 2023 when compared to same month in the previous year. 14.4% of West Midlands businesses reported to importing less and also 14.4% reported to importing more.

Supply Chains

59.5% of responding West Midlands businesses reported to being able to get the materials, goods or services it needed from the EU in September 2023. A further 3.9% reported to only being able to get materials, goods or services needed by changing suppliers or finding alternative solutions. With 1.8% not able to get the materials, goods or services needed for the business from the EU.

81.8% of responding West Midlands businesses reported to being able to get the materials, goods or services it needed from within the UK in September 2023. A further 5.4% reported to only being able to get materials, goods or services needed by changing suppliers or finding alternative solutions. With 2.2% not able to get the materials, goods or services needed for the business from within the UK.

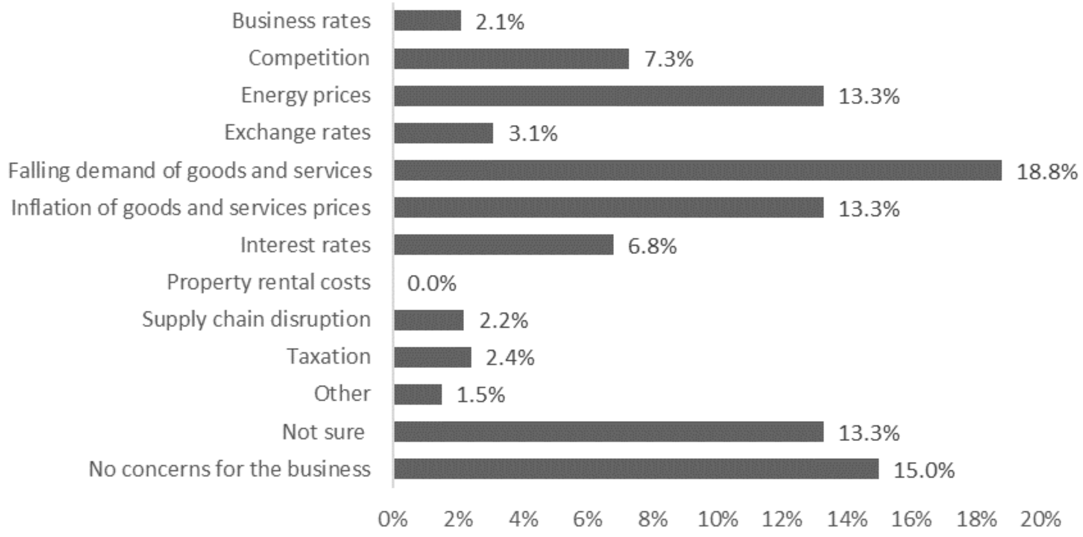
Global Supply Disruption

5.4% of responding West Midlands businesses reported global supply chain disruption in September 2023. While 61.9% reported no disruption.

Main Concerns for Business

18.8% of responding West Midlands businesses expect the main concern for business in November 2023 will be falling demand of goods and services.

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

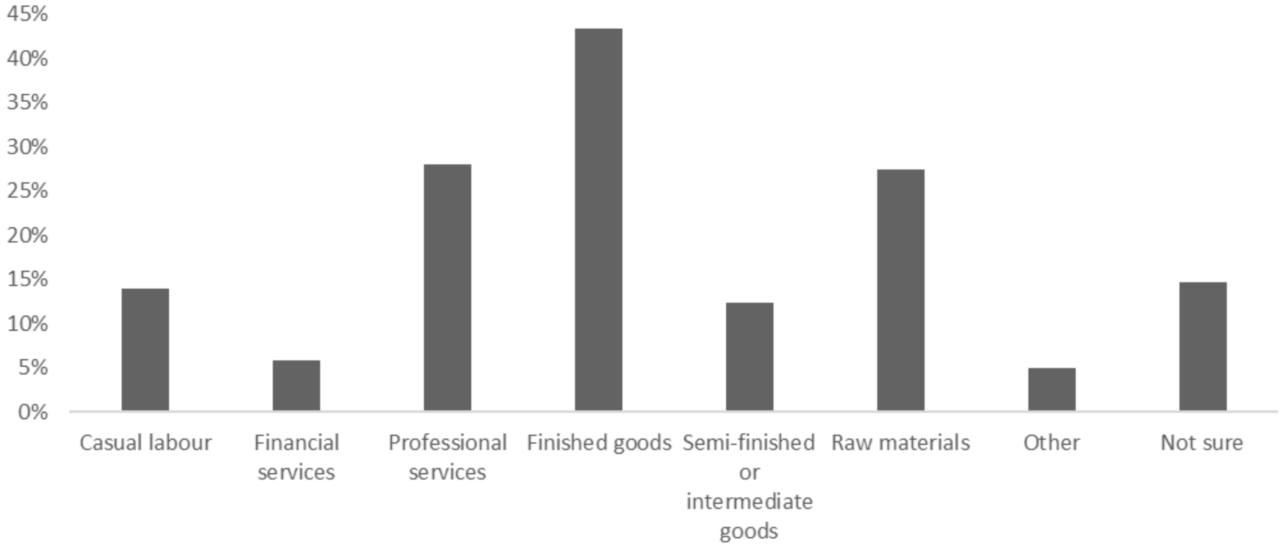


Intra-UK Purchases

29.5% of responding West Midlands businesses in the last 12 months have purchased goods or services from suppliers in other UK nations.

43.4% of West Midlands businesses have purchased finished goods from suppliers in other UK nations in the last 12 months.

The following goods or services West Midlands businesses purchased from suppliers in other UK nations in the last 12 months:



Skills

30.1% of responding West Midlands businesses reported a high demand for manual skills in the last 12 months. While 19.9% reported that the West Midlands workforce required extra support / training in management or leadership.

The following table shows the skills the West Midlands businesses have had a high demand for in the last 12 months and skills the workforce require extra support or training in:

	Skills in High Demand	Workforce Require Extra Support or Training In
Advanced digital skills	12.0%	9.2%
Basic digital skills	12.1%	8.3%
Customer service skills	22.5%	11.7%
Management or leadership skills	23.9%	19.9%
Manual skills	30.1%	14.5%
Transferable skills	11.1%	7.3%
Other	3.4%	1.1%
None of these options	35.7%	57.8%

Hourly Wage

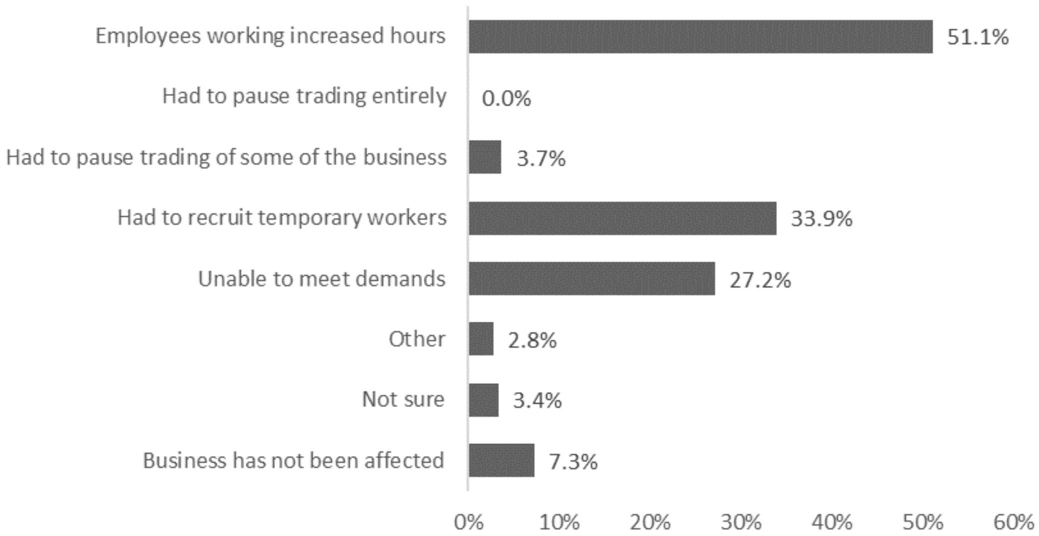
11.1% of responding West Midlands businesses reported on average, in September 2023 when compared to the previous month that employees hourly wage had increased, with 78.9% reporting wages stayed the same and 1.9% reporting a decrease.

Worker Shortages

22.5% of responding West Midlands businesses reported to experiencing a shortage of workers.

51.1% of West Midlands businesses reported that the shortage of workers had caused employees to work increased hours.

How (if applicable) the shortage of workers affected West Midlands businesses:



Industrial Action

4.4% of responding West Midlands businesses reported to have been affected by industrial action in September 2023. With 43.8% of the West Midlands workforce changing their working location due to industrial action in September 2023.

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 18th to 29th October 2023.

Important Issues Facing the UK

Respondents felt the five main issues facing the UK were; the cost of living (89%), the NHS (84%), the economy (72%), climate change & the environment (59%) and housing (58%). Although, 49% of adults reported international conflict as an important issue, this has increased from 38% in the previous period (4^{th} to 15^{th} October 2023).

Cost of Living
49% of respondents reported that their cost of living had increased, compared with a month ago. However, this has decreased from 80% during a similar period one year ago.

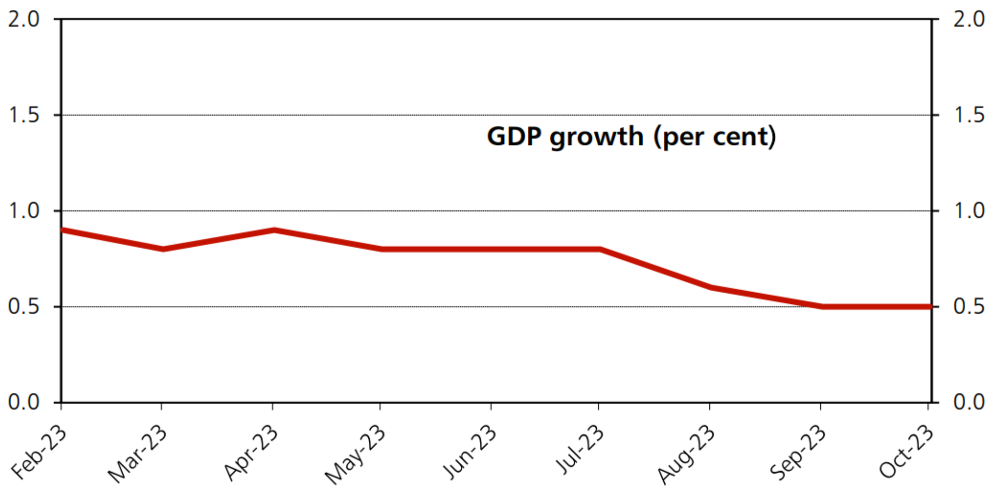
Rent/Mortgages
Among those who are currently paying rent or a mortgage, 40% reported that their rent or mortgage payments had gone up in the past six months; this was 32% during a similar period one year ago.

Among those who are currently paying rent or a mortgage, 35% reported finding it very or somewhat difficult affording these payments; this was 33% during a similar period one year ago.

Energy Bills
Of those who pay energy bills, 39% of respondents reported it being very or somewhat difficult to afford energy bills; this was 42% during a similar period one year ago.

36% of respondents had not heard of any of the government schemes they were asked about, for example the Energy Price Guarantee or the Warm Home Discount.

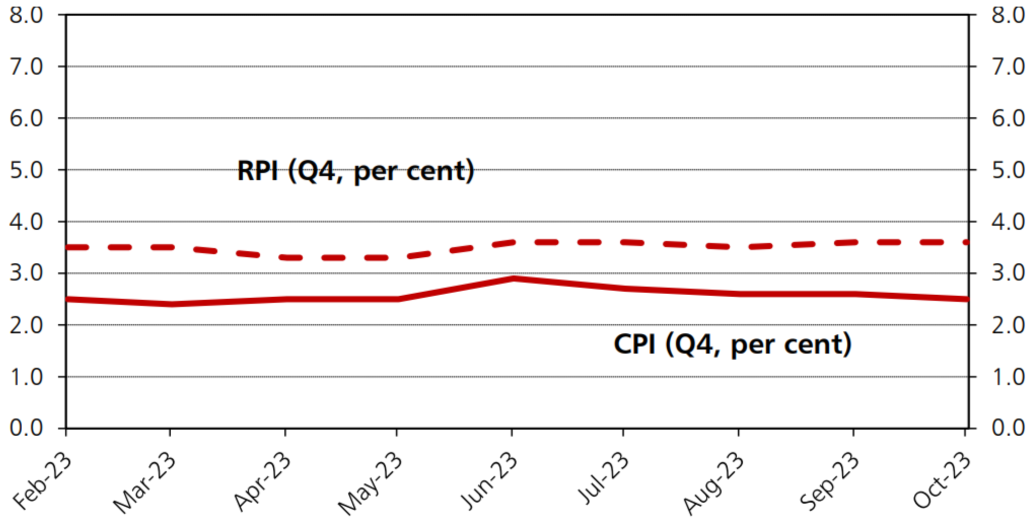
Headlines

SECTOR	KEY INSIGHTS
Cross Sector	**Outlook** Several economic forecasts for the UK have been published recently that are important to the future prospects of the West Midlands in the coming months and years. These precede the Office for Budget Responsibility forecast to accompany the Autumn Statement in November. **Key findings of recent prominent forecasts include:** • An expectation of **sluggish growth for the remainder of 2023 and into 2024**; for example, NIESR have forecast that GDP will contract by 0.1% in the third quarter of 2023 and then growth 0.2% in the fourth quarter, while KPMG suggest real GDP growth slowing from 4.1% in 2022 to 0.4% in 2023 and 0.3% in 2024. • The consensus is that the **UK will avoid a recession in 2023 and 2024**, however, with GDP growth expected at 0.5% and 0.4% respectively taking an average of forecasts (HM Treasury). • However, other forecasts are more pessimistic. The Institute for Fiscal Studies' Green Budget 2023 expects weak margins and policy headwinds to **drive a moderate recession through the first half of 2024, forecasting GDP will fall by 0.7% in 2024.** • The IFS suggests that the UK economic outlook hinges on three primary factors: first, the **boost associated with the unwinding of the adverse terms-of-trade shock; second, the headwind associated with tighter monetary policy; and third, the potential for greater inflationary persistence – especially in wage setting.** • The most recent Treasury average of forecasts for inflation suggests the **Consumer Prices Index (CPI) is to fall to around 2.5% in 2024, with the Retail Prices Index (RPI) falling to 3.9**%. This is expected to follow a fall of CPI inflation down to 4%-4.5% by the end of 2023. • Meanwhile, the EY ITEM Club estimates that **higher interest rates have, so far, been a net positive for household incomes with the income boost from higher rates on savings accounts exceeding the extra amount spent on mortgage interest payments.** But this picture is set to reverse as deposit rates stabilise and more and more borrowers roll over fixed rate mortgages onto higher rates. **Average Independent Forecasts for 2024: GDP Growth** 

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

SECTOR	KEY INSIGHTS

Average Independent Forecasts for 2024: Inflation



- As for the region, **business confidence in the West Midlands fell two points during October to 34 per cent**, according to the latest Business Barometer from Lloyds Bank Commercial Banking. West Midlands businesses identified their top target areas for growth in the next six months as **entering new markets (49 per cent), investing in their team (40 per cent) and evolving their offer (31 per cent).** Overall UK business confidence rose three points in October from 36 per cent to 39 per cent, and firms' outlook on the overall UK economy increased four points to 34 per cent.
- The **number of companies filing for administration across the Midlands has jumped by almost 20 per cent year-on-year**, according to the latest figures. Analysis of notices in The Gazette by Interpath Advisory reveals that a total of **43 companies based in the Midlands fell into administration in Q3 2023 – up from 36 companies in Q3 2022**. This represents a 19.4 per cent increase on last year. This mirrors the UK picture which saw a total of 330 companies fall into administration in Q3 2023 – up from 276 companies in Q3 2022, a 19.6 per cent increase.
- While **thousands of businesses in the West Midlands are now classed as being in 'significant' economic distress**, according to the latest figures from Begbies Traynor's Red Flag Alert. Dudley experienced a significant uplift in the number of businesses in distress during Q3 of 2023, jumping by 18.1 per cent on the previous quarter, followed by Stafford where there was a 17 per cent increase. This quarterly rise in the number of struggling businesses was also felt in Walsall (6.8 per cent), Wolverhampton (5 per cent) and Birmingham (3.2 per cent).
- More positively, according to R3 Midlands, an organisation focused on insolvency and restructuring, the **number of new start-ups in the West Midlands grew by 5.86% last month, rising from 5,998 in September to 6,351 in October.** This represents one of the highest numbers of new businesses established in any UK region, except Greater London.

Trading Environment

- **Supply chain disruption remains one of the biggest challenges facing Midlands** businesses, according to new research from BDO LLP, as companies gear up for end of year trading.
- According to BDO's bi-monthly Economic Engine survey of 500 mid-market businesses, **more than a quarter of Midlands companies (29 per cent) have ranked supply chain pressures as one of their top challenges,** with issues such as folding suppliers, stock shortages, and rising costs topping the list.
- The same survey found that, **over the next six months a third of Midlands businesses intend to invest in efficiency, such as automation and AI**, 29 per cent are focusing on

SECTOR	KEY INSIGHTS
	onshoring more or all of their supply chain, while 25 per cent plan to manage price rises by passing on the cost to customers. • Meanwhile, **35 per cent are investing in more diverse hiring practices, such as apprenticeships and targeting different schools and universities**, while a quarter of companies (25 per cent) are offering additional benefits to attract new recruits, including permanent remote working, subsidised travel, and childcare vouchers. • The Enterprise Research Centre recently published a research report **mapping net zero support for small businesses across England**. The focus of the project was on schemes, initiatives, and organisations offering specific or targeted initiatives to support small firms' net zero transition. As part of the work, the ERC have **published regional summary reports** including for the West Midlands. • **Cost of Living** – Still **frequently raised as a concern**, particularly with the cost of **food, fuel, materials and other supplies and ingredients, such as sugar and yeast** at a local commercial bakery. However, **some groups saying** that they feel that although it is impacting their business and workforce, that **"it doesn't feel like a crisis anymore"** and that it more like **"the norm".** • **Energy Costs** – Still **impacting businesses** as those on fixed term deals switch to new standard tariffs. **Fourfold increases** in gas and electricity are commonplace. • **Supply Chain** – Increased **appetite to localise materials and service supply chains**, not just within UK borders but regionally in the West Midlands. **Lack of confidence in government to support this** though. Businesses increasing the number of suppliers to mitigate price increases although this **risks affecting consistent quality**. Some **businesses bringing services and processes in house to reduce costs** and the reliance on third parties. • **Conflicts in Ukraine and Israel** – Concern from a number of businesses about the **political impact of the wars in Ukraine and now in Israel**. Some involved in the **production of military defence products** worried that they may be targeted due to the nature of their business, **following protests by Palestinians who targeted a business in Leicester** that makes parts for fighter jets. **Labour Market** • The **Midlands was the only English region to record a rise in permanent staff appointments in October**, according to a report from KPMG and REC. • For the first time since November last year, the seasonally **adjusted Permanent Placements Index posted above the 50 no-change mark**, signalling a return to growth in permanent staff appointments across the Midlands at the start of the fourth quarter. The KPMG and REC, UK Report on Jobs **linked the upturn to stronger demand.** • Billings received from the employment of short-term staff by recruiters in the Midlands continued to increase in October, extending the current sequence of expansion to five months. **While the upturn lost momentum, it was slightly stronger than that seen for the UK as whole.** Compared to the other three monitored English regions, only London recorded a quicker rate of growth. • **Inflated Pay** – Businesses looking to recruit, **struggling to meet wage demands**. Vacancies are increasing but **salary expectations are high** with some salaries having doubled. Recruitment agencies saying that the lack of temporary staff, especially in the construction sector, is driving up the rate per hour they need to pay staff. • **Apprentices** – Many businesses seeing the benefit of **recruiting and training apprentices** to develop the future workforce although **some struggling with local colleges not being able to suitably match a course** to the job. • Sector-specific intelligence recently: - Growing concern with the education sector, with **lack of teaching assistants and supply teachers**, meaning schools have seen an **increase in costs of around 12%**. - In manufacturing, a **shortage of CAD designers and welders** stunting growth for some businesses and **risking delivery of contracts.**

SECTOR	KEY INSIGHTS
	- **Shortage of care workers** impacting the ability of care homes to adequately meet the needs of its residents.
Tech	• TechUK launched the 2023 Local Digital Index. Comments about the West Midlands region were as follows: *The region scores well overall, **featuring 4th in the Index**. Each area within the region has its own strength and drawback. The West Midlands CA area has strong digital infrastructure scores with gigabit broadband at over 88-% coverage and **5G coverage over 95**%. Both are well above the other regional partners scores in the West Midlands. But the **West Midlands CA area should look to improve finance and investment coming into the region**, especially VC funding and harnessing digital skills in the area to take on the roles of the future. **Shropshire and Staffordshire present digital skills challenges** in terms of volumes of HE level trained students, featuring in the bottom five nationally for this metric. **Herefordshire, Worcestershire and Warwickshire's R&D score is particularly strong (3rd nationally) driven by spending**. The region's digital infrastructure is lower than it should be given the strong scores on other components and finance availability remains an anchor on future growth. Using the data explorer platform from The Data City to aid the Index we see that it suggests the West Midlands has secured £9.35 billion investment funding, compared to £20 billion in Yorkshire and the Humber and £41 billion in the North West, holding back future growth.* • The **West Midlands is set to receive a boost of more than 1,000 tech jobs as a result of significant investments from five innovation-focused companies**.; revealed during Birmingham Tech Week. The investments are by Version 1, Petalite, Novocomms Group, Aubay and Primacy. • Furthermore, it was confirmed that **Solihull will be home to The Government's state-of-the-art £80m UK Telecoms Lab (UKTL),** with plans to create up to 50 skilled tech jobs by March 2025. • More widely, **Tech Nation is relaunching with a £10bn funding pledge**. Now operating as part of Founders Forum Group, Tech Nation – the growth platform for tech companies – has announced goals to facilitate the investment by 2028. • Midlands Engine Observatory has published two cluster snapshots related to **AI and quantum technology.**
Construction	• A slump in the building of new homes across the UK in September triggered **the biggest fall in construction activity since May 2020**, early in the Covid pandemic, according to a closely watched survey. • The latest **S&P Global/CIPS construction purchasing managers' index showed a score of 45.0 in September, a steep drop from 50.8 in August. It has since recovered slightly up to 45.6 in October, but still well below the growth level of 50.**
Retail, Hospitality and Tourism	• **Retail sales volumes fell sharply in the year to October**, according to the latest quarterly CBI Distributive Trades Survey. Retailers do not anticipate a turnaround in the sector's fortunes next month, with **sales volumes expected to continue falling in the year to November**. • The fall (weighted balance of -36% from -14% in the year to September) was at a faster pace than last month and **marks the sixth month in a row in which annual sales have declined.** Sales volumes are expected to continue falling next month, but at a slower pace (-13%). • Taken together with ONS retail sales volumes, these **figures chime with the suggestion that UK retail may be in recession before a key Christmas season.** • To add to the difficulties, **high street shops could see their business rates bill increase by up to £1.95bn next year because the rate charged is linked to inflation.** Hospitality industry leaders said the expected rate rises would "undoubtedly be the final nail in the coffin" for many businesses, which have already been squeezed by the rising costs of labour, energy and ingredients.

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

SECTOR	KEY INSIGHTS
	• **FSB are calling for the Autumn Statement to address issues related to the high street, including calling for an extension of business rate discounts** for retail, hospitality and leisure beyond its March 2024 expiry.
Manufacturing	• **Sentiment within the UK manufacturing sector deteriorated over the three months to October,** as output volumes fell, according to the CBI's latest quarterly Industrial Trends Survey. Although output is expected to rise in the three months ahead, the share of firms citing weak orders or sales as a constraint on output rose to its highest since January 2021. • **Growth in average costs eased significantly in the quarter to October, to its slowest pace in three years.** The pace of growth in both domestic and export selling price inflation also weakened over the past quarter. Numbers employed fell for the first time since January 2021. **Investment in tangible assets (machinery, equipment, buildings, etc) is expected to fall in the year ahead, though manufacturers expect investment in intangibles** (innovation and training) to **increase slightly.** • Positively for the West Midlands region, UK **car manufacturing rose by almost 40 per cent in September, according to the latest figures**, representing the strongest month of growth in 2023. The Society of Motor Manufacturers and Traders (SMMT) said that 88,230 vehicles left British factory lines during the ninth month of the year, an **uplift of 39.8 per cent and the best September since 2020.** • Linked to the focus on technology in this month's monitor, MakeUK recently published a report on "**Demystifying Digitialisation" in manufacturing.**

New Economic Shocks

COMPANY	LOCATION	SECTOR	DETAIL
Velvet Music Rooms	Birmingham	Hospitality	After nearly 20 years of trading on Broad Street, Velvet Music Rooms Street venue has closed its doors.
Colmore Tang Projects	Birmingham	Construction	A Colmore Tang Construction subsidiary is the subject of a winding-up petition from HMRC. Colmore Tang Projects, however, told TheBusinessDesk.com that it was "business as usual".
Wiggle	Bilston	Retail	Online cycling and sports retailer WiggleCRC – which has a 320,000 sq ft warehouse at Bilston – is set to be put up for sale. Wiggle, which has its head office at Portsmouth and employs 450 staff, appointed Anthony Wright and Alastair Massey from FRP Advisory as administrators on October 25. All staff have been retained by the joint administrators at this stage.
Kagool	Coventry	Technology	A Coventry data, analytics and ERP firm that has offices throughout the world, looks set to call in administrators. TheBusinessDesk.com understand that Kagool, which was set-up in 2004 and is based at the 68,000 sq ft Friars House in the city, has filed for administration through London law firm Francis, Wilks & Jones.

New Investment, Deals and Opportunities

COMPANY	LOCATION	SECTOR	DETAIL
Jaguar Land Roger	Coventry	Automotive	Jaguar Land Rover has unveiled a new £250m test facility as part of plans for its "next generation" of pure electric models. The car maker said the Future Energy Lab at its

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

COMPANY	LOCATION	SECTOR	DETAIL
			engineering centre in Whitley, Coventry, had key innovations enabling the rapid testing of electric vehicles (EVs). The lab is developing Electric Drive Units for JLR's electric Range Rover, Defender, Discovery and Jaguar models. More than 200 EV engineers were already working at the facility, JLR said, with a further 150 roles being created, providing a "significant employment boost" to the region.
Several	Star City (Birmingham)	Entertainment	A trio of new leases have been signed at Star City, the family leisure entertainment complex in Birmingham. Adventure golf brand Jungle Rumble is among the newest additions at the 410,000 sq ft leisure-led mixed-use complex.
Altera Healthcare	Birmingham	Healthcare / IT	Global healthcare IT firm Altera Healthcare, one of the leading providers of electronic patient records in the UK, has made the move from London to Northspring | Temple St in Birmingham city centre.
KWB / Sterling Pharmaceuticals	Longbridge (Birmingham)	Pharmaceuticals	KWB has helped source land that will see fast growing pharmaceuticals manufacturer Sterling Pharmaceuticals build a new 40,000 sq ft headquarters at St Modwen's Longbridge Business Park.
FireAngel	Coventry	Technology	A £27.68m takeover offer has been received by a Coventry-based technology company, as its new management team looks to turn the business around. The offer for FireAngel, a developer and supplier of home safety products, comes from Intelligent Safety Electronics (ISE), incorporated in Singapore and owned by Siterwell Electronics, following a challenging period.
HBD	Walsall	Development	HBD has submitted reserved matters planning for the first phase of its £188m GVA SPARK scheme – a major step forward for the 44-acre landmark logistics and manufacturing hub in Walsall.
City of Wolverhampton Council	Bilston	Development	Outline planning approval has been granted by City of Wolverhampton Council for the development of a multimillion-pound Bilston health & wellbeing facility.
University of Birmingham	Birmingham	Higher Education	A new university building designed by international MEP consultancy CPW has been handed over to the University of Birmingham. The £80m Molecular Sciences Building will be the base for more than 500 scientists leading the field in world-class research in chemical, environmental and biomolecular sciences.
BOXPARK	Digbeth (Birmingham)	Hospitality	Street food, drinks and entertainment provider BOXPARK has announced it will open a £5m Birmingham venue in 2025, creating 200 jobs. It is set to be located at Floodgate Street Arches in Digbeth.
Complex Development Projects	Coventry	Housing	Developers have won an appeal to build 690 homes on a former gasworks site in Coventry after it was turned down last year.
Recyclus Group	Tipton (Sandwell)	Recycling	The first listed UK company focused on battery metals has received final clearance from the Environmental Agency for its lead acid battery recycling plant in Tipton. Technology Minerals subsidiary Recyclus Group has

COMPANY	LOCATION	SECTOR	DETAIL
			secured the variation licence to commence fully automated operations, allowing it to enter the commissioning phase.
Civil Service	Birmingham	Public Sector	Deputy Prime Minister Oliver Dowden has reconfirmed the Government's plan to open another major civil service hub in the West Midlands. The Birmingham 3 Hub is due to follow the Arena Central and 23 Stephenson Street sites in central Birmingham in consolidating, creating, and relocating a significant number of civil service jobs to the city. It is hoped that the Birmingham 3 Hub will become a specialist transport office, housing up to 4,000 officials from both the Department for Transport and National Highways – alongside other departments.
IFCO	Coventry	Packaging	Packaging giant IFCO has signed a lease on a 328,305 sq ft unit at Prologis Park in Coventry. The global provider of reusable packaging solutions for fresh foods will take occupation for a term of 15 years following the completion of an on-going refurbishment.
Techsol Group	Coventry	Technology	Digital transformation specialist Techsol Group has expanded with the acquisition of a managed IT services provider. The acquisition of IBIT Solutions in Coventry will enable Techsol Group to expand its presence to the Midlands.
DPD	Wolverhampton	Logistics / Transportation	Practical completion has been reached on a 60,000 sq ft parcel hub for delivery giant DPD at Revolution Park Wolverhampton. Developed by Trebor Developments and the Schroders Capital's real estate team, the facility has been built to BREEAM 'Excellent' standards and an EPC A+ rating.
Holt Commercial / Driving Theory Test Centre	Coventry	Property	Two deals have been completed at a newly refurbished office building in Coventry city centre. Regional commercial property specialist Holt Commercial has let the ground floor and the first floor, totalling 7,868 sq ft, at 9 Little Park Street to office space business Regus. The 4,962 sq ft second floor has been let to the Driving Theory Test Centre.
Aon	Birmingham	Professional Services	Aon, a global professional services firm, has unveiled its new office at Birmingham's 20 Colmore Circus. The company employs approximately 400 people in Birmingham, part of a 50,000-stong worldwide team, and has agreed a ten-year lease for the entire 22,709 sq ft 12th floor of The Colmore Building, which was built on the site of the former Birmingham Post and Mail printworks
West Midlands Gigafactory	Coventry	Battery Manufacture	The West Midlands Gigafactory joint venture has confirmed that it is in advanced discussions with several Asian battery manufacturers about future investment at the Coventry site. The West Midlands Gigafactory's Coventry location is the only available site in the UK with planning permission in place for a large-scale battery production facility with capacity for up to 60GWh per annum – enough to power 600,000 electric vehicles.
Aldi	Walsall	Supermarket Retail	A new Aldi could open in Walsall Wood, creating up to 50 jobs. he Aldi could look The supermarket giant has

COMPANY	LOCATION	SECTOR	DETAIL
			revealed it will put forward a planning application for a new store on Lichfield Road, on land currently occupied by The Royal Exchange.
[Version1]()	Birmingham	Technology	The creation of a new technology hub in Birmingham could lead to the creation of 500 new jobs. Version 1, a leader in digital transformation, has announced its plans for the hub in Birmingham city centre. The company said the move is in response to increased demand for its services across the public and private sector in digital, data and cloud solutions and next generation managed services, as well as specialist AI collaboration.
[KWB]()	Solihull	Commercial	A string of significant deals are set to complete in Solihull's office market, according to research from KWB, after a slow third quarter. KWB's Q3 M42 and Solihull office market research said there will be four deals totalling more than 50,000 sq ft in sectors ranging from technology to financial services. The largest deal of Q3 saw serviced office operator Orega take 30,633 sq ft at Ingenuity House near Birmingham Airport. The company is set to open a flexible workspace of 550 workstations on the ground and first floors in January 2024, with a financial services business already secured for 150 desks.

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
For any queries please contact the lead Authors:

Rebecca Riley R.Riley@Bham.ac.uk
Alice Pugh A.Pugh@Bham.ac.uk
Delma Dwight Delma.dwight@theeiu.org
Anne Green A.E.Green.1@bham.ac.uk

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