West Midlands
Economic Impact Monitor

Issue 109 Publication Date 15/12/23

This monitor aims to pull together information across regional partners to understand local economic developments and disseminate local research. 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 data and policy.

As 2023 draws to a close, the challenges of inflation (although falling) and low growth remain. The cost of living, the NHS and the economy are key concerns for the general public. However, businesses in the West Midlands are still optimistic as indicated by the Future Business Activity Index.

Global, national and regional outlook

- The OECD has released its November Economic Outlook update. The global economy continues to confront the challenges of inflation and low growth prospects. Global growth is projected to be 2.9% in 2023 and weaken to 2.7% in 2024. As inflation abates further and real incomes strengthen, the world economy is projected to grow by 3% in 2025.
- Annual OECD headline inflation is expected to fall gradually to 5.2% and 3.8% in 2024 and 2025 respectively, from 7.0% in 2023.
- According to the ONS figures monthly GDP in the UK is estimated to have fallen by 0.3% in October 2023, following growth of 0.2% in September 2023.
- The most recent ONS update for the value of exports and imports of goods and services showed that the value of goods imports increased by £3.6 billion (8.2%) in October 2023, with rises in imports from both EU and non-EU countries. The value of goods exports increased by £0.4 billion (1.2%) because of increased exports to non-EU countries, while exports to the EU decreased.
- ONS insights on important issues facing society reveal that adults continued to report the cost of living (89%), the NHS (87%) and the economy (74%) as the top three issues. The fourth most important issue remained climate change and the environment, which was reported by around 6 in 10 (61%) adults. Other important issues include crime (60%), housing (59%), immigration (54%) and international conflict (50%).
- The UK Business Activity Index increased from 48.5 in September 2023 to 48.7 in October 2023. The West Midlands Business Activity Index increased from 49.3 in September 2023 to 50.7 in October 2023. Out of the twelve UK regions, the West Midlands was the second highest for business activity in October 2023.
- The West Midlands Future Business Activity Index decreased from 78.4 in September 2023 to 73.8 in October 2023, but was still the most optimistic region for the fourth consecutive month.
- Lower geographic level (ITL3) productivity scorecards have been published by The Productivity Institute, including for West Midlands areas. The findings suggest that Birmingham, Dudley and Walsall are "falling behind" on productivity compared to the regional and national averages, while Solihull and Coventry are "losing ground", and Sandwell and Wolverhampton "catching up".

Enterprise Births and Deaths

- In 2022, there were 15,435 enterprise births in the WMCA area. Since 2021, this is a decrease of 6.7% (-1,115), following the national trend (-7.4%). However, when compared to 2017, the WMCA area has increased by 11.9% (+1,640) while nationally there was a decline of 5.6%.
- In 2022, there were 14,700 enterprise deaths in the WMCA area. Since 2021, this is an increase of 10.0% (+1,335), following the national trend (+5.2%). When compared to 2017, the WMCA area has increased by 7.0% (+965) and nationally there was an increase of 4.2%.
- In 2022, the WMCA enterprise birth rate remained above the enterprise death rate at 14.4% and 13.7% respectively. This in contrast to the national trend where enterprise birth rates were lower than the enterprise death rates, 11.5% and 11.8% respectively.

Labour market

- The latest KPMG and REC, UK Report on Jobs survey, compiled by S&P Global, pointed to a second consecutive monthly increase in permanent placements in the Midlands, contrasting with the UK-wide trend. Temporary billings were also up amid improving demand for staff and marked increases in candidate availability. Rates of pay inflation quickened from the previous survey period, but remained below-average.

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

- Permanent placements rose in the Midlands for the second month running in November. The rate of expansion was modest, but quickened from October. Moreover, the Midlands was the only English region to record an expansion in permanent placements over the month. The decline in the UK was driven by a severe reduction in permanent placements in London.
- Although recruiters in the Midlands continued to record an increase in temporary billings midway through the final quarter of the year, the rate of expansion was only marginal and the softest in the current six-month sequence of growth.
- The Institute for Fiscal Studies (IFS) recently produced a report on the changing geography of jobs from 1993-2022. The report discusses the profound changes seen across the labour market over this period, including the 'hollowing out' of jobs in the middle of the pay distribution, rising demand for high-skilled worker, an expansion of higher education and an increase in both domestic and offshore outsourcing.
- In September 2023, there were over 3.1 million workforce jobs in the West Midlands region. When compared to June 2023, the West Midlands region increased by 1.1% (+33,490) and the UK increased by 0.6%.
- When compared to September 2022, this was an increase for the West Midlands region by 4.1% (+123,669) with the UK increasing by 2.2% UK-wide. Notably, the West Midlands had the second highest growth rate (behind North East with +6.1%).
- In the 2022/23, there were 7,920 apprenticeship achievements. When compared to 2021/22 this has increased by 17.5% (+1,180), following the national trend (+18.3%). In the 2022/23, there were 17,450 apprenticeship starts. When compared to 2021/22, this has decreased by 2.3% (-410), which reflects national trends (-3.5%).
- In 2022/23, there were 3,790 intermediate apprenticeship starts in the WMCA area, a decrease of 17.8% (-820), compared to England decreasing by 16.7% since 2021/22. There were 7,370 advanced apprenticeship starts, a decrease of 4.0% (-310), compared to England decreasing by 2.2% since 2021/22. There were 6,290 higher apprenticeship starts, an increase of 12.9% (+720), compared to England increasing by 6.2% since 2021/22.
- There were 124,280 claimants in the WMCA area in November 2023. Since October 2023, there has been an increase of 1.2% (+1,455), while the UK increased by 1.9%. When compared to November 2022, claimants have increased by 3.4% (+4,125), with the UK also increasing by 3.4%. Overall, for the WMCA the number of claimants as a proportion of residents aged 16-64 years old was 6.7% compared to 3.7% for the UK in November 2023.
- There were 24,185 youth claimants in the WMCA area in November 2023. Since October 2023, there has been an increase of 1.9% (+440) youth claimants while the UK increased by 2.1%. When compared to November 2022, youth claimants have increased by 11.9% (+2,570), with the UK increasing by 8.1%.

The cost of living crisis and impacts on health and wellbeing

- The Covid-19 pandemic triggered a health emergency and exposed structural and systemic inequalities in society that have health implications. The cost-of-living crisis is a second health emergency, striking at a time when the Covid-19 pandemic meant many people were already vulnerable.
- There is increasing recognition that the public's health is an asset to the wider economy and society; poor health has implications for economic growth and societal well-being.
- Poor mental health is a direct and immediate response to poverty. On all key personal well-being indicators in the UK – regarding life satisfaction, people feeling the things they do in life are worthwhile, happiness, anxiety and mental well-being – scores declined markedly with the Covid-19 pandemic and remain lower in 2023 than at any time over the last decade.
- Delays in access to health services, and funding cuts in a cost-of-living crisis to social security, employment support and other services provided by the public and third sector can accentuate adverse health consequences.
- To alleviate the negative impact of the cost-of-living crisis on health it is necessary to mitigate short-term effects at the same time as tackling the underlying causes of poor health.

International students in the West Midlands

- The UK is a magnet for international students. According to the Higher Education Statistics Agency (HESA), in the academic year 2021/2022, the UK hosted 679,970 international students, comprising 120,140 EU-domiciled students and 559,825 from various countries worldwide. The number has increased from 442,225 in 2014 (53%) when the data was first recorded by HESA. The West Midlands hosted more than 50,000 international students.
- The largest numbers of international students are from China, India and Nigeria.

Other features address:

- Economic inactivity
- Self-employment
- Trends in the recruitment sector
- Social prescribing
- Changing transport priorities and the role of buses
- Occupier demand for office space
- The hospitality sector
- The space sector
- WMCA Growth Hub Intelligence

Global, National and Regional Outlook

Alice Pugh, WMREDI

Global

OECD Economic Outlook November 2023

The OECD has released its November Economic Outlook update. The summary findings on the global economy within the report are as follows:

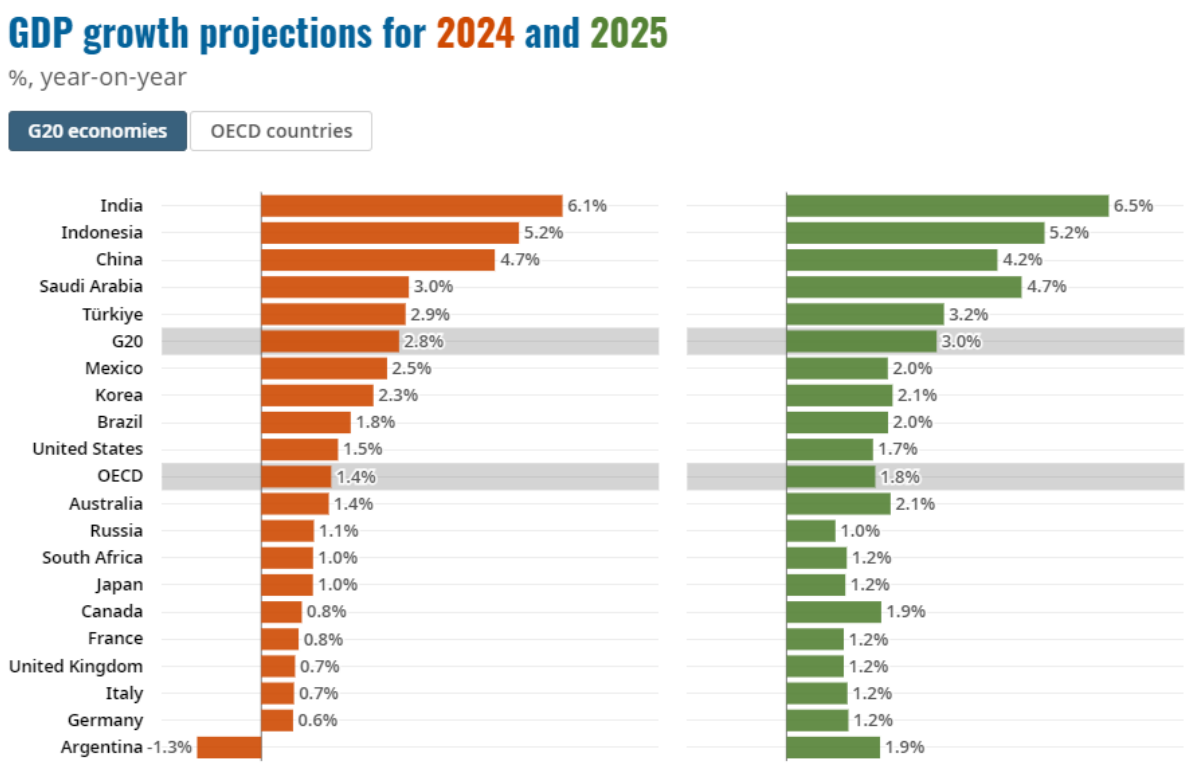
The global economy continues to confront the challenges of inflation and low growth prospects. GDP growth has been stronger than expected so far in 2023 but is now moderating on the back of tighter financial conditions, weak trade growth and lower business and consumer confidence. Risks to the near-term outlook remain tilted to the downside and include heightened geopolitical tensions - for example due to the evolving conflict following Hamas' terrorist attacks on Israel; and a larger-than-expected impact of monetary policy tightening. On the upside, growth could also be stronger if households spend more of the excess savings accumulated during the pandemic.

Global growth is projected to be 2.9% in 2023 and weaken to 2.7% in 2024. As inflation abates further and real incomes strengthen, the world economy is projected to grow by 3% in 2025. Global growth remains highly dependent on fast-growing Asian economies.

2.7%
Projected global GDP growth for 2024

3.0%
Projected global GDP growth for 2025

3.8%
Projected OECD headline inflation in 2025



Source: [OECD Economic Outlook, November 2023.](#)

In the absence of further large shocks to food and energy prices, projected headline inflation is expected to return to levels consistent with central bank targets in most major economies by the end of 2025. Annual OECD headline inflation is expected to fall gradually to 5.2% and 3.8% in 2024 and 2025 respectively, from 7.0% in 2023.

Global trade growth has been surprisingly weak over the past year. This is worrying given the importance of trade for productivity and development. Merchandise trade volumes fell by 1.5% in the first half of the year, whilst services trade volumes are estimated to have risen by 6.4%, as the ongoing normalisation of travel in Asia helped to boost tourism. Weak trade is not an entirely new development. Since the recovery from the pandemic, trade has fallen relative to GDP, particularly merchandise trade.

What should governments do?

1. Monetary policy needs to remain restrictive	The need to maintain downward pressure on inflation will limit scope for policy rate reductions well into 2024. Until there are clear signs that underlying inflationary pressure are durably abating, monetary policy should remain restrictive.
2. Fiscal policy needs to prepare for future spending pressures	Credible medium-term fiscal frameworks, with clear spending and tax plans, are needed to ensure sustainability but also to provide flexibility to respond to future shocks. These plans need to address future fiscal pressures while preserving the investment needed to support long-term growth and the green transition.
3. Keep markets open and implement structural reforms to restore growth	To reverse the long-term decline in economic growth and to address the pressing challenges from ageing populations, the climate transition and digitalisation, ambitious structural reforms are needed to reinvigorate growth and improve its quality. Efforts to improve the resilience of value chains need to avoid eroding the efficiency benefits that open markets provide.

National

GDP monthly estimate, UK: October 2023

In the ONS' latest monthly release (October 2023) on Gross Domestic Product (GDP), the key findings were:

- Monthly real gross domestic product (GDP) is estimated to have shown no growth in the three months to October 2023.
- Monthly GDP is estimated to have fallen by 0.3% in October 2023, following growth of 0.2% in September 2023.
- Services output fell by 0.2% in October 2023, driven by a fall in information and communication, and was the main contributor to the fall in growth in GDP; this follows growth of 0.2% in September 2023.
- Production output fell by 0.8% in October 2023, driven by widespread declines in manufacturing, after showing no growth in September 2023.
- The construction sector output fell by 0.5% in October 2023 after growth of 0.4% in September 2023.

Trends in Business Dynamism and Productivity 2023

The ONS has released experimental data on firm-level productivity, business dynamism and business makeup estimates, showing how the economy has changed from 1997 to 2022. The main findings in this new publication are:

- In 2021, 70.6% of workers in the UK worked in firms with labour productivity below the mean.
- The dispersion of firm-level productivity across firms has increased; in 2021, workers in firms at the 90th percentile produced around 3.7 times as much output compared with workers in firms at the median of the distribution.
- Business dynamism has slowed compared with the period before the 2008 economic downturn; the total reallocation rate has fallen from 30.7% in 2001 to 20.6% in 2022.
- The responsiveness of firm-level employment growth to productivity has fallen since the 2008 downturn, leading to overall lower productivity growth as relatively more productive businesses expand more slowly.
- Measures of market power have increased; the average markup on intermediate consumption increased from 111% in 1997 to 127% in 2021.

UK Trade

The ONS' most recent update for the value of exports and imports of goods and services, the main findings of this update are:

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- The value of goods imports increased by £3.6 billion (8.2%) in October 2023, with rises in imports from both EU and non-EU countries.
- The rise in imports was mainly the result of greater imports of machinery and transport equipment from both EU and non-EU countries.
- The value of goods exports increased by £0.4 billion (1.2%) because of increased exports to non-EU countries, while exports to the EU decreased.
- The total trade in goods and services deficit narrowed by £2.3 billion to £9.2 billion in the three months to October 2023, the result of a substantial fall in goods imports.
- The trade in goods deficit narrowed by £2.1 billion to £47.3 billion in the three months to October 2023, while the trade in services surplus widened by £0.2 billion to £38.1 billion.

Business insights and impact on the UK economy
The ONS has released a publication on the impact of challenges facing the economy and other events on UK businesses. In the most recent update, the key findings were:
- In October 2023, 67% of trading businesses with 10 or more employees reported that they were able to get the materials, goods or services they needed from within the UK; while more than 1 in 8 (13%) were either unable to get the materials, goods or services they needed from within the UK, or had to change suppliers or find alternative solutions to do so.
- In October 2023, 5% of businesses with 10 or more employees experienced global supply chain disruption, broadly stable with September 2023 and the lowest proportion reported since the question was introduced in late December 2021.
- In late November 2023, 18% of businesses reported that they were using, or intending to use, increased homeworking as a permanent business model, with improved staff well-being reported as the main reason for doing so, at 56%.
- Less than 1 in 10 (9%) businesses experienced worker shortages in late November 2023, with 44% of those businesses reporting they were unable to meet demands as a result.
- Less than 1 in 10 (7%) businesses reported that their employees' hourly wages had increased in October 2023 compared with September 2023 (9%).
- Approximately 4% of businesses were affected by industrial action in October 2023, the lowest proportion reported since this question was introduced in June 2022; of those businesses affected, more than a quarter (28%) reported their workforce had to change their working location.

Economic Activity and Social Change
The ONS has released experimental data on the UK economy and society. In the most recent update, the key findings were:
- In the latest period, UK spending on debit and credits cards increased by 1% when compared with the previous week, with the largest increases seen in "social" and "work-related" spending; meanwhile, overall retail footfall fell to 96% of the level seen in the equivalent period of 2022 (Bank of England CHAPS, Springboard).
- The total number of online job adverts remained broadly unchanged on 1 December 2023 when compared with the previous week; however, the number has decreased by 15% when compared with the equivalent period of 2022 (Adzuna).
- More than a quarter (26%) of trading businesses expect turnover to decrease on the month to January 2024 compared with the same month on month into January 2023, where 29% of businesses expected turnover to decrease (initial results from Wave 97 of the Business Insights and Conditions Survey).
- The System Average Price of gas fell by 17% in the week to 3 December 2023, and was 68% below the price seen in the equivalent week of 2022 (National Gas Transmission).
- When compared with the previous week, the average number of daily ship visits to major UK ports increased by 5%; meanwhile, the average traffic camera activity for pedestrians and cyclists in London fell by 8% (exactEarth, Transport for London).

Public opinion and social trends
The ONS has released insights on important issues facing society. In the most recent update, the key findings were:

- When asked about the important issues facing the UK today, adults continued to report the cost of living (89%), the NHS (87%) and the economy (74%) as the top three issues.
- The fourth most important issue remained climate change and the environment, which was reported by around 6 in 10 (61%) adults; this was a decline from 66% of adults choosing the same issue last year ahead of COP27 (in the period 26 October to 6 November 2022).
- Other important issues reported in the current period included crime (60%), housing (59%), immigration (54%) and international conflict (50%).
- When asked about the extent to which they had made changes to their lifestyle to tackle climate change around 1 in 12 adults (8%) reported they had made a lot of changes, around two in three (64%) had made some changes, and around 3 in 10 (28%) had made no changes.
- Among those who had made a lot of or some changes to their lifestyle to tackle climate change, the most reported concerns that motivated them to do so were the effect on future generations (69%), loss of natural habitats or wildlife (66%), and the direct effects of climate change such as extreme weather events or rising sea levels on others (52%) or themselves (32%).
- Among adults who had not made changes to their lifestyle, the most reported reasons for this were thinking the changes they make will have no effect on climate change (41%), thinking large polluters should change before individuals (34%) and finding it too expensive to make changes (30%).
- Compared with last year's estimates (in the period 20 to 31 July 2022), among adults who had not made changes to their lifestyle, there was an increase in the proportion of those who thought the changes they make will have no effect on climate change (41%, compared with 32% in 2022), and in the proportion of those who thought the effects of climate change are exaggerated (11%, compared with 4%), and said they do not believe in climate change (7%, compared with 3%).

Regional

ICAEW Q3 2023 Business Confidence Monitor: West Midlands
In the latest Business Confidence Monitor from the ICAEW the key findings were:

The latest national Business Confidence Monitor (BCM) for Q3 2023 shows a small decline in business confidence in the quarter overall compared with Q2, although sentiment did rise during the quarter, possibly due to a growing likelihood that interest rates might be at, or close to, their peak. Confidence remains below its pre-pandemic average.

- The Business Confidence Index for the West Midlands rose a little in Q3 2023, in contrast to the national picture. It remains above the UK average and the region's historical norm.
- While domestic sales growth slowed it still outpaced the UK, and businesses expect it to remain at a broadly similar rate in the next 12 months. Exports grew faster than elsewhere in the UK, though businesses are less optimistic about prospects next year.
- Input costs and salaries are rising rapidly, but the rate of increase is expected to ease considerably over the coming year.
- Businesses are lifting their selling prices faster than most parts of the UK, and the same is true for planned rises over the next year, though the rate of increase is expected to slow markedly.
- Regulatory requirements remain the most cited growing concern. Bank charges are another growing issue, reported by a larger share of companies in more than a decade. And while staff turnover is less widely cited as a growing challenge, it remains prevalent.
- Companies plan to raise capital investment and R&D budgets at markedly slower rates over the next 12 months. The region has a higher share of businesses operating below capacity, which may mean there is less incentive for companies to invest to expand output.

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

The Economic Intelligence Unit

In Summary:

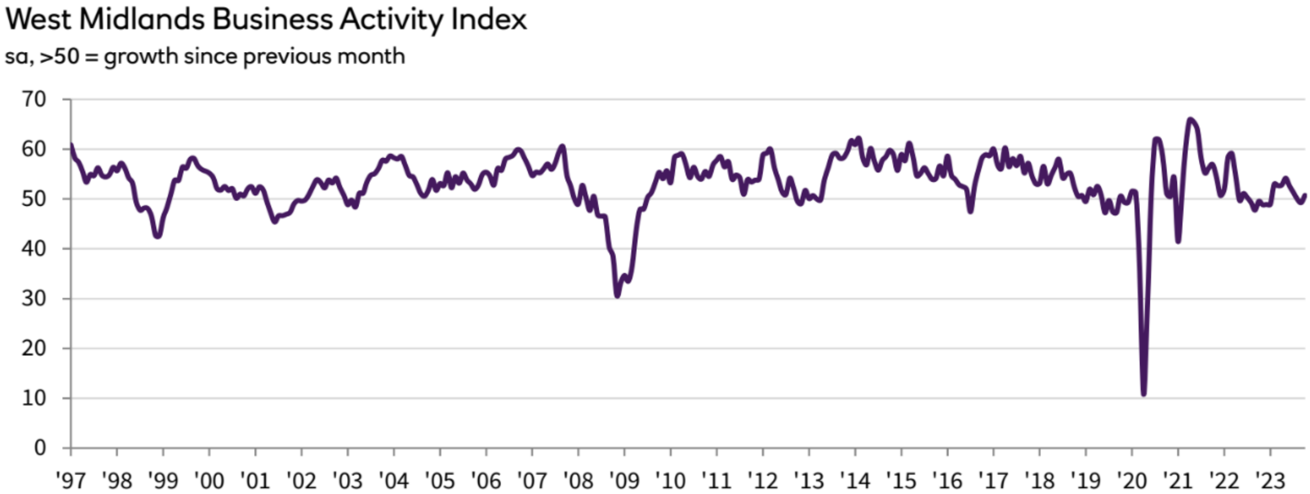
- The West Midlands Business Activity Index increased from 49.3 in September 2023 to 50.7 in October 2023. The renewed increase in output was linked to new product releases and demand resilience.
- The UK Business Activity Index increased from 48.5 in September 2023 to 48.7 in October 2023.
- Out of the twelve UK regions, the West Midlands was the second highest for business activity in October 2023.
- The West Midlands Future Business Activity Index decreased from 78.4 in September 2023 to 73.8 in October 2023, but was still the most optimistic region for the fourth consecutive month. Optimism remained in firms due to the expectations of demand conditions to improve and support business activity, along with expansion plans, new clients, product diversification and planned investment.
- Out of the twelve UK regions, the West Midlands was the highest for the Future Business Activity Index in October 2023.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index increased from 49.3 in September 2023 to 50.7 in October 2023. The renewed increase in output was linked to new product releases and demand resilience.

The following chart shows the West Midlands Business Activity Index trends up to October 2023:



Source: NatWest PMI, November 2023

- Out of the twelve UK regions, the West Midlands was the second highest for business activity in October 2023. London was the highest with 53.8 and the North East was the lowest at 43.5.

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

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

Source: NatWest PMI, November 2023

Demand

- The West Midlands New Business Index increased from 50.1 in September 2023 to 51.3 in October 2023. Where growth was reported, this was linked to new clients and improved demand conditions. On the other hand, firms still reported restrictions from high interest rates and reduced market confidence.

Exports[2]

- The West Midlands Export Climate Index decreased further from 49.3 in September 2023 to 48.6 in October 2023, the lowest figures recorded so far in 2023 and indicates a deterioration in export prospects. When looking at the top five export market for the West Midlands, the USA was the only one with economic growth (50.7%) with a stagnant China (50.0) and reductions in Germany (45.9), France (44.6) and Ireland (49.7).

Business Capacity

- The West Midlands Employment Index increased from 49.4 in September 2023 to 51.7 in October 2023, a renewed increase in jobs. There were also reports of firms taking on apprentices.
- The West Midlands Outstanding Business Index increased from 44.9 in September 2023 to 46.8 in October 2023, remaining under the 50-mark threshold since December 2022. Firms reported weak gains in new business and a concerted effort to push more orders out.

Prices

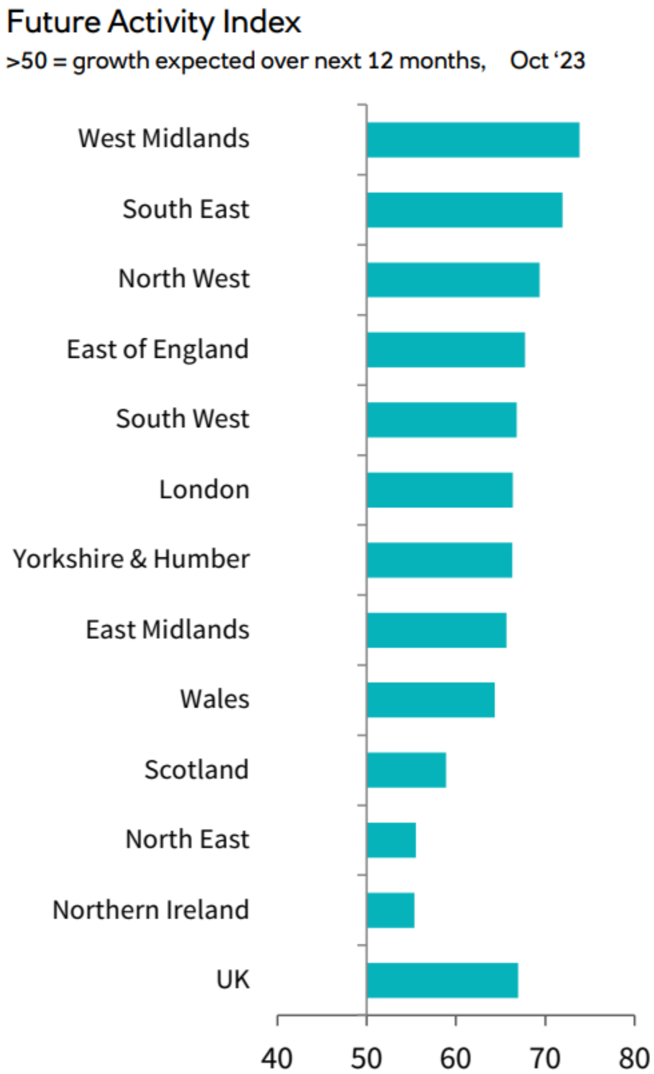
- The West Midlands Input Prices Index decreased from 55.4 in September 2023 to 55.2 in October 2023. Despite the fall, firms still report an increase in expenses, although the rate of inflation eased to the weakest seen since September 2020. Firms reported high interest rates, higher transport, wage and material costs but was offset from subdued input demand and lower energy costs.
- The West Midlands Prices Charged Index remained at 54.6 in October 2023, still indicating a notable increase over the month. The rate of inflation remains historically high. Hikes in charges was linked to the pass-through of higher costs to customers.

[2] The Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the region. This produces an indicator for the economic health of the region's export markets.

Outlook

- The West Midlands Future Business Activity Index decreased from 78.4 in September 2023 to 73.8 in October 2023, but was still the most optimistic region for the fourth consecutive month. Optimism remained in firms due to the expectations of demand conditions to improve and support business activity, along with expansion plans, new clients, product diversification and planned investment.
- Out of the twelve UK regions, the West Midlands was the highest for the Future Business Activity Index in October 2023. The South East was the second highest at 71.9 and the Northern Ireland was the lowest at 55.3.

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



Source: NatWest PMI, November 2023

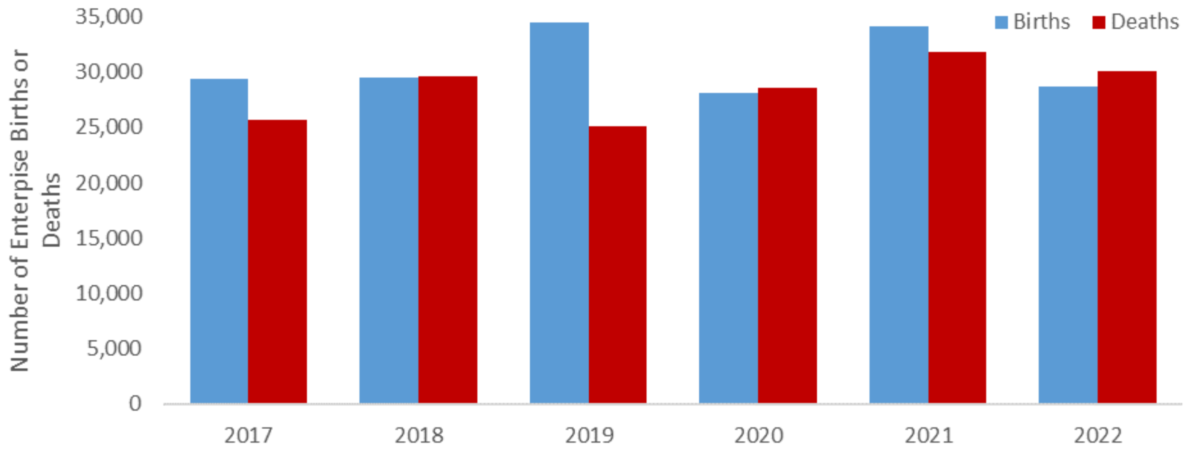
WMCA Business Demography[3] Headlines

The Economic Intelligence Unit

Enterprise Births and Deaths

- In 2022, there were 15,435 enterprise births in the WMCA area. Since 2021, this is a decrease of 6.7% (-1,115), following the national trend (-7.4%). However, when compared to 2017, the WMCA area has increased by 11.9% (+1,640) while nationally there was a decline of 5.6%.
- In 2022, there were 14,700 enterprise deaths in the WMCA area. Since 2021, this is an increase of 10.0% (+1,335), following the national trend (+5.2%). When compared to 2017, the WMCA area has increased by 7.0% (+965) and nationally there was an increase of 4.2%.
- In 2022, the WMCA enterprise birth rate remained above the enterprise death rate at 14.4% and 13.7% respectively. This in contrast to the national trend where enterprise birth rates were lower than the enterprise death rates, 11.5% and 11.8% respectively.
- For the WMCA area, the enterprise birth rate has fallen from 2021 (15.6%) but was above the 2017 rate (13.8%). While the WMCA enterprise death rate has increased from 2021 (12.6%) and was the same level as 2017.

WMCA Enterprise Births and Deaths Trends:



Active Enterprises and High Growth

- In 2022, there were 107,400 active enterprises in the WMCA area. Since 2021, the WMCA area increased by 1.2% (+1,325) while nationally there was a decline of 0.5%. When compared to 2017, enterprises have increased by 7.4% (+7,355) compared to a national increase of 2.8%.

Trends in Active Enterprises:

	2017	2018	2019	2020	2021	2022	Latest Annual Change	
Birmingham	42,175	44,990	44,045	44,505	43,015	43,400	0.9%	385
Coventry	11,250	11,380	11,405	11,450	11,740	12,125	3.3%	385
Dudley	10,505	10,500	10,890	11,145	11,660	11,455	-1.8%	-205
Sandwell	9,960	9,875	10,260	10,885	11,545	11,530	-0.1%	-15
Solihull	8,880	8,865	9,005	8,890	8,940	8,860	-0.9%	-80
Walsall	8,655	8,595	8,750	8,810	9,430	9,545	1.2%	115
Wolverhampton	8,620	8,595	8,515	8,540	9,745	10,485	7.6%	740
WMCA	**100,045**	**102,800**	**102,870**	**104,225**	**106,075**	**107,400**	**1.2%**	**1,325**
UK	2,844,705	2,841,025	2,889,115	2,897,115	2,939,675	2,924,685	-0.5%	-14,990

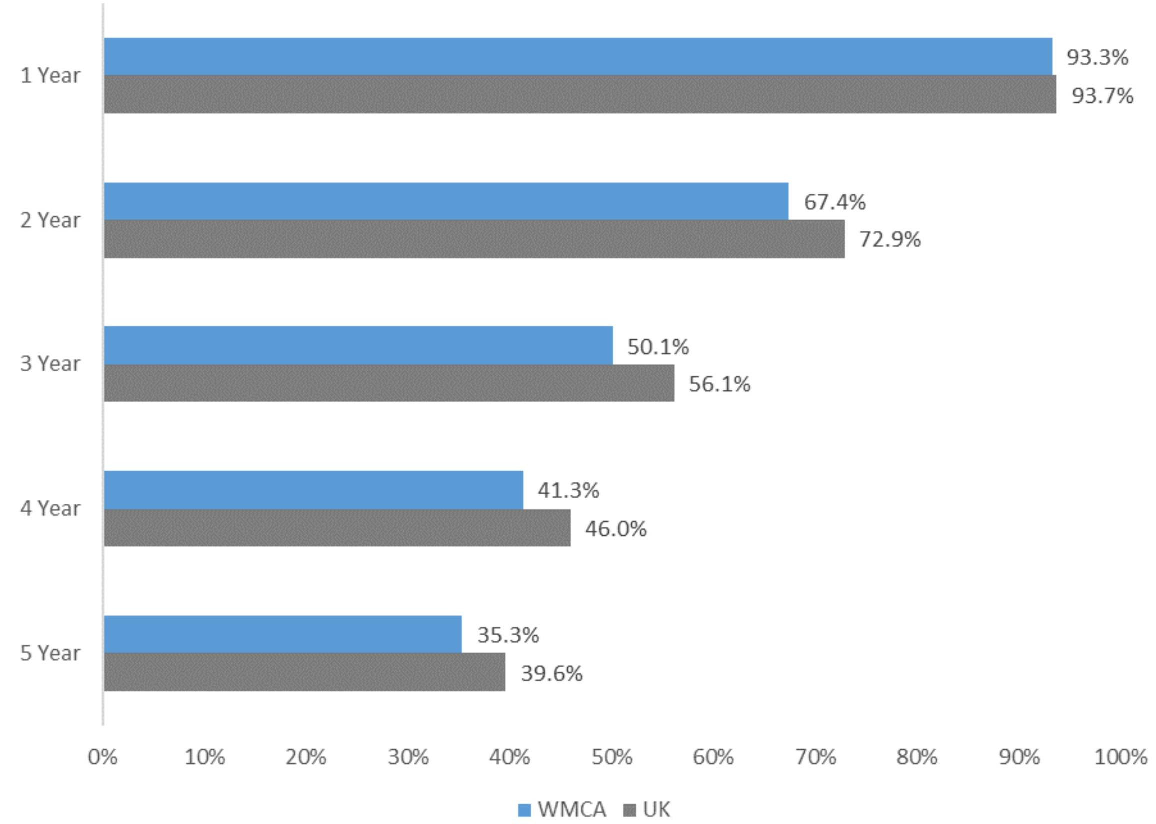
- In 2022, there were 345 high growth enterprises in the WMCA area. Since 2021, the WMCA area increased by 1.5% (+5) while nationally there was an increase of 7.4%. When compared to 2017, high growth enterprises have decreased by 19.8% (-85) compared to a national decrease of 12.5%.

[3] Source: Office for National Statistics (ONS), Business Demography, released November 2023

Enterprise Survival Rates

- Of the 13,795 WMCA enterprise births in 2017, after five years 35.3% (4,875) were still active which was below the UK rate of 39.6%.
- Of the 15,785 WMCA enterprise births in 2018, after four years 38.0% (6,000) were still active which was below the UK rate of 47.3%.
- Of the 15,340 WMCA enterprise births in 2019, after three years 50.4% (7,710) were still active which was below the UK rate of 55.9%.
- Of the 14,125 WMCA enterprise births in 2020, after two years 66.6% (9,405) were still active which was below the UK rate of 71.2%.
- Of the 16,550 WMCA enterprise births in 2021, after one year 93.7% (15,515) were still active which was above the UK rate of 93.4%.

Five Year Survival Rates of 2017 Births:



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REDI-Updates: How Does the Cost-Of-Living Crisis Impact People's Health and Well-Being?

Anne Green, 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.

On the back of the Covid-19 pandemic, the cost-of-living crisis is the second recent health emergency to hit an already beleaguered population. Anne Green looks at what this means for the health and well-being of the UK.

Introduction

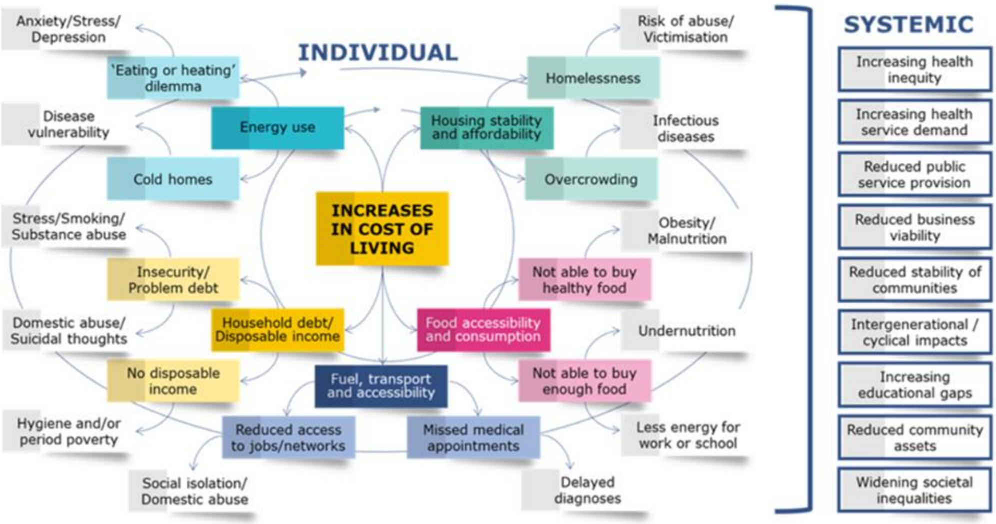
The Covid-19 pandemic triggered a health emergency. It exposed structural and systemic inequalities in society that have health implications, and ultimately for life and death (Longevity Science Panel, 2021). The Health Foundation (2022) notes that the cost-of-living crisis (i.e. the fall in real disposable incomes that the UK has experienced since late 2021) is a second health emergency (see Local Government Association, 2023). Importantly, this second health emergency has come at a time when the Covid-19 pandemic meant many people were already vulnerable. There is increasing recognition that the public's health is an asset to the wider economy and society; poor health has implications for economic growth and societal well-being (Royal Society for Public Health, 2022).

The scale of the pressures on individual and household budgets since 2021 is evident from ONS's (2023) Cost of Living Insights. The price of consumer goods and services in the UK rose at the fastest rate in forty years in the year to 2022. The Consumer Prices Index including owner occupiers' housing costs (CPIH) was 9.2% in February 2023, slightly down from a peak of 9.6% in October 2022. Despite increases in average regular pay in 2022/23, inflation means three-month growth rates in average earnings have been negative in real terms since the final quarter of 2021, reaching a low of -3% in the quarter ending June 2022, followed by a gradual easing to -2.4% in the quarter to January 2023.

How the cost-of-living impacts on health

Figure 1 shows some of how the cost-of-living crisis links to health (Public Health Wales, 2022). It highlights the 'material pathways' between income and health (Broadbent et al., 2023). These include the increasing price of energy, housing insecurity, food access, transport costs, and accessibility.

Figure 1: Conceptualisation of how the cost-of-living crisis links to health



Source: Figure 8 in Cost-of-living crisis in Wales: A public health lens [2022]

Concerning the increasing price of energy, electricity prices rose 66.7% in the year to February 2023, while over the same period, gas prices rose by 129.4%. In 2022/early 2023, around half of adults used less fuel in their homes due to cost-of-living increases. This has implications for health because cold homes can lead to greater vulnerability to disease. Indeed, before the impact of the recent cost of living crisis, estimates suggest that some 10% of excess winter deaths in England in 2020/21 were directly attributable to fuel poverty and 21.5% were attributable to cold homes (Lee et al., 2022).

Concerns about housing affordability – amongst both owner-occupiers and in the private rented sector – can increase stress levels and in worst-case scenarios, housing insecurity may lead to overcrowding or homelessness, enhancing vulnerability and putting people at greater risk of poor health. Losing one's home may also mean a loss of social support networks, leaving households to become 'pressure cookers', culminating in mental health problems (Longevity Science Panel, 2021).

Figure 2: Food and non-alcoholic beverages annual CPIH inflation rates, UK

Source: Figure 8 in Cost-of-living insights: food [2023]

The price of food and non-alcoholic drinks increased by 18% in the year to February 2023. The scale of this increase relative to the situation in the last decade is shown in Figure 2. The contrast with relatively low inflation for most of the period and a decrease in prices between May 2014 and November 2017, and between November 2020 and July 2021, is apparent. The ability to afford food is not only affected by food prices but also by the amount of income families have and the costs of other essentials. Since May 2022 about half of households reported buying less food. In February 2023 53% of households reported buying cheaper food, 26% bought more tinned or longer shelf-life food, and 13% ate fewer portions of fruit and vegetables. The poorest fifth of UK households would need to spend 43% of their disposable income on food to meet the cost of the Government recommended healthy diet, compared with 10% of their disposable income for the richest fifth (The Food Foundation, 2022). Being unable to buy sufficient healthy food is known as food insecurity. It is a risk factor for poor health; outcomes include increased vulnerability to obesity (in turn a risk factor for diabetes and cancer), malnutrition and undernutrition. Insufficient healthy food also means people have less energy for work or study, which in turn can impact current and future earnings.

Rising fuel prices and the cost of transport can mean reduced access to services, which in turn can have health implications. Most directly, missed medical appointments can mean delayed diagnosis and treatment of medical issues. Reduced access to jobs and networks also has implications for earnings and well-being.

During a cost-of-living crisis, more people find themselves on adverse 'material pathways', as those on low incomes who are struggling see their positions deteriorate further. Those on low incomes who formerly were just about managing can find themselves in crisis. The cumulative impact of exposure to the cost-of-living crisis on various fronts means that socio-economic inequalities widen.

Although sufficient money helps people to meet material needs for a healthy life, Broadbent et al. (2023) also identify 'psychosocial pathways' between the cost-of-living crisis and health. Poor mental health is a direct and immediate response to poverty. Anticipation of negative shocks and a sense of a lack of control regarding how one will cope in the future is harmful also, highlighting problems posed by insecurity of employment and/or income. In turn, despair can trigger risk-taking behaviours, which are linked to a rise in deaths related to drugs, alcohol and suicide. On all key personal well-being indicators in the UK – regarding life satisfaction, people feeling the things they do in life are worthwhile, happiness, anxiety and mental well-being – scores declined markedly with the Covid-19 pandemic and remain lower in 2023 than at any time over the last decade (ONS, 2023).

While it is easiest to focus on the short-term health implications of a cost-of-living crisis, exposure to stressors associated with such a crisis and other events can have implications over the life course. Delays in access to health services, and funding cuts in a cost-of-living crisis to social security, employment support and other services provided by the public and third sector can accentuate adverse health consequences (Broadbent et al., 2023).

Evidence from the Great Recession

So how is the current cost-of-living crisis different from what has gone before? Echoing Claudius in Shakespeare's Hamlet, Wolf (2022), writing in the Financial Times in February 2022, highlighted how "economic sorrows come in battalions rather than singly". Rising energy and food costs, high inflation and a weak economy have come on the back of the shock of Brexit and the crisis of the Covid-19 pandemic. This is a unique set of circumstances, with the Covid-19 pandemic and the cost-of-living crisis operating in the same (negative) direction in terms of health outcomes. Nevertheless, it is instructive to look at the health impacts of previous economic crises.

The so-called 'Great Recession' from 2007 to 2009, like the current cost-of-living crisis, was felt internationally. A critical review of the international literature on the health impacts of the Great Recession on mental and physical health in developed nations found that the recession was associated with a decline in self-rated health (which likely represents a combination of mental and physical symptoms), and increasing morbidity, psychological distress and suicide (Margerison-Zilko et al., 2016). In the USA, in particular, already marginalised populations were hit hardest. Nearly all individual-level studies and most aggregate-level studies, across several countries, found that financial strain, job loss and housing insecurity were associated with declines in self-rated health. In the UK self-rated health declined over the long term. This decline was evident amongst those who remained employed throughout the recession, indicating that health impacts were felt beyond those most directly affected financially (Astell-Burt and Feng, 2013).

The evidence suggests that non-health policies may have played a role in mitigating the worst health impacts of the economic crisis of the Great Recession. Margerison-Zilko et al. (2016) found that stronger social safety nets in Europe than in the USA acted as a buffer in this respect for some populations. They identified active labour market programmes as reducing the negative effect of unemployment on suicide rates.

Focus on disability-free life expectancy

One key indicator of population health is disability-free life expectancy (DFLE). DFLE estimates the average number of years lived without restrictions on activity resulting from a long-lasting physical or mental health condition.

DFLE at birth decreased significantly for males and females in the UK between 2015 and 2017 and from 2018 to 2020 (ONS, 2022). This means that before the Covid-19 pandemic, DFLE was beginning to stall. Hence, following Covid-19, the population was already in a deteriorated state to deal with the cost-of-living crisis.

Figures 3 and 4 show the DFLE at birth from 2018 to 2020 (right-hand axis, shown by a blue dot) and the change in such DFLE over the period from 2017 to 2019 (left-hand axis, shown by orange bar), for males and females, respectively. In the case of males, DFLE changed significantly negatively from 2015 to 2017 based on non-overlapping confidence intervals in the North East, Yorkshire & the Humber, the South East, Scotland and the UK. In the case of females, DFLE changed significantly negatively from 2015 to 2017 based on non-overlapping confidence intervals in the North East, and the North West. Yorkshire & the Humber, the West Midlands, the South West,

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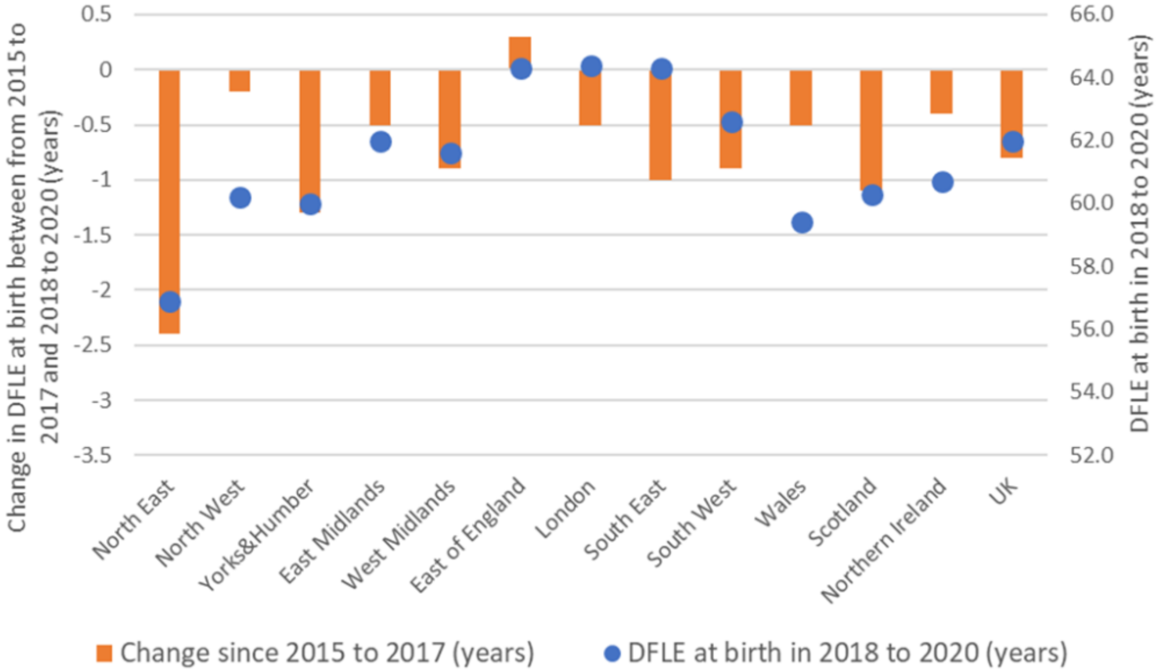
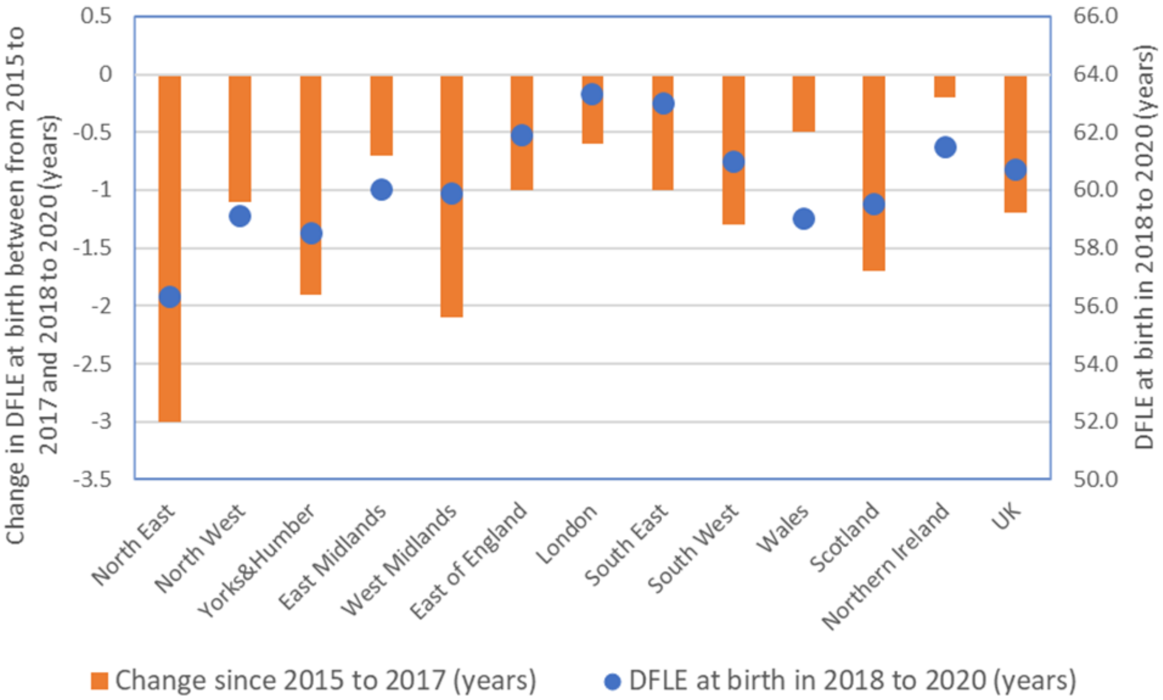
Scotland and the UK. Absolutely and relative to other English regions and the devolved nations, the change in DFLE is more severe in the case of females than males.

Figure 3: Disability-free life expectancy at birth estimates for males, 2018 to 2020, and change since 2015 to 2017, for males – English regions, countries and the UK



Source: ONS, [2022]

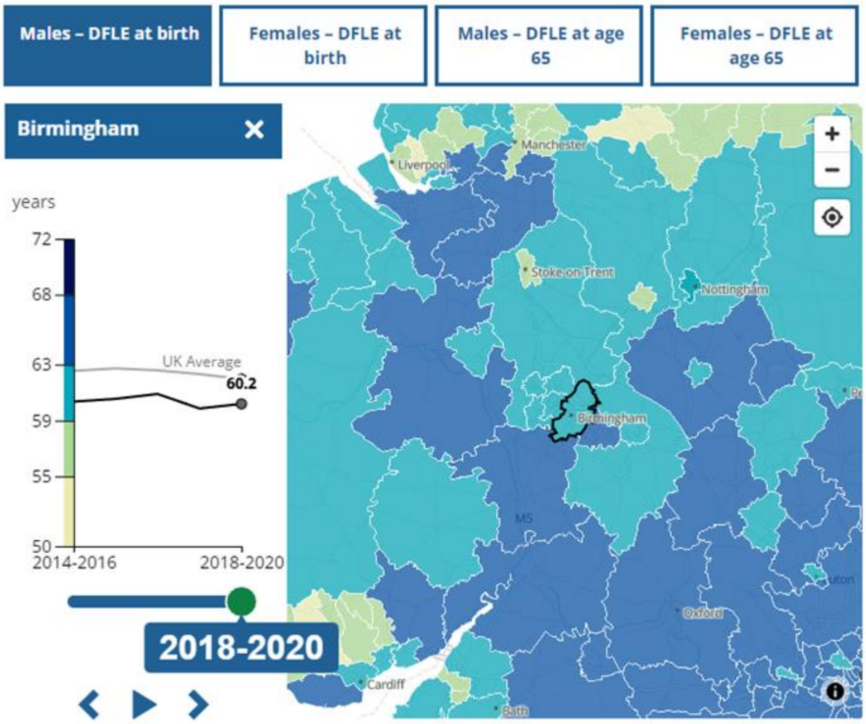
Figure 4: Disability-free life expectancy at birth estimates for females, 2018 to 2020, and change from 2015 to 2017, for males – English regions, countries and the UK



Source: ONS [2022]

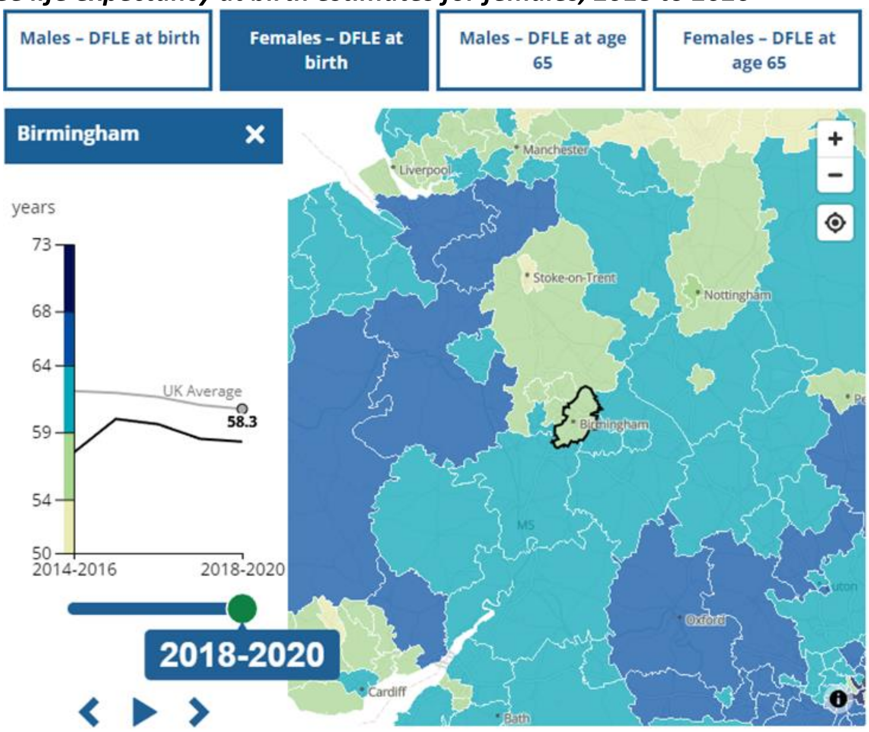
Figures 5 and 6 show local variation in DFLE at birth for males and females, respectively. For males DFLE at birth was highest in 2018 to 2020 in Solihull, Worcestershire and Shropshire, and lowest in Stoke-on-Trent. For females DFLE at birth was highest in Shropshire, followed by Herefordshire, Worcestershire, Warwickshire, Coventry, Solihull and Dudley and lowest in Stoke-on-Trent. It would be expected that levels of deprivation and factors such as ethnicity may play a role in explaining these variations, but further disaggregation is not available from this data source.

Figure 5: Disability-free life expectancy at birth estimates for males, 2018 to 2020



Source: ONS, 2020

Figure 6: Disability-free life expectancy at birth estimates for females, 2018 to 2020



Source: ONS, 2020

Policy Implications

Austerity has been identified as making an important and causal contribution to poor health (Margerison-Zilko et al., 2016; McCartney et al., 2022). Cuts to local services, pressures on health and social care provision, and any failure to raise benefits in line with inflation exacerbate the situation.

To alleviate the negative impact of the cost-of-living crisis on health it is necessary to mitigate short-term effects at the same time as tackling the underlying causes of poor health. Many different organisations and agencies, working across different policy domains at different geographical levels, have a role to play here. The Local Government Association (2023) acknowledges that it has a key role to play in promoting and linking initiatives tackling health and prosperity. It has a cost-of-living hub designed as a repository for sharing case studies, resources and data on good practices across different policy domains/areas. It also argues that public health has a role to play in developing a clearer narrative on the interconnections between education, training, work and health. Broadbent et al. (2023) argue that more refined integrated economic and health modelling has the potential to inform policy integration.

Possible policy responses at national and sub-national levels to address the stalling of DFLE and to address the negative implications of the cost-of-living crisis on health are presented in Figure 7. These highlight the need for policies across policy domains and for action at different geographical scales. A comprehensive multi-faceted approach to addressing health and well-being is necessary.

Figure 7: Possible policy responses to mitigate the negative impact of austerity and the cost-of-living crisis on health

Policy domain	***National policy***	***Sub-national/ local policy***
Macroeconomic policy	• Design fiscal policy to avoid austerity approaches which limit public spending	• Diversify economic ownership (e.g. through Community Wealth Building) to reverse or mitigate the processes of rent extraction
Social security	• Increase benefits and tax credits in line with inflation	• Provide high-quality money advice and welfare rights services – and enhance benefit take-up
Work	• Improve availability of 'good work' • Adopt real living wage	• Use public spending to advance progressive work practices • Maximise potential of growth/ devolution deals to reduce inequality and improve health
Public services	• Increase public sector funding for preventative services	• Co-design local services for the populations they serve
Material needs	• Eliminate fuel poverty through action on housing insulation and heating • Increase affordable housing • Eliminate food poverty	• Reduce the cost of public transport
Improved understanding	• Facilitate linkage between different government departments, NHS and mortality records to allow for the health and mortality impact of policy changes to be better evaluated	• Commit to ongoing monitoring and evaluation of relevant interventions

Headlines – WMCA Claimant Count and Regional Workforce Jobs: December 2023 Update

The Economic Intelligence Unit

For an interactive version please click here.

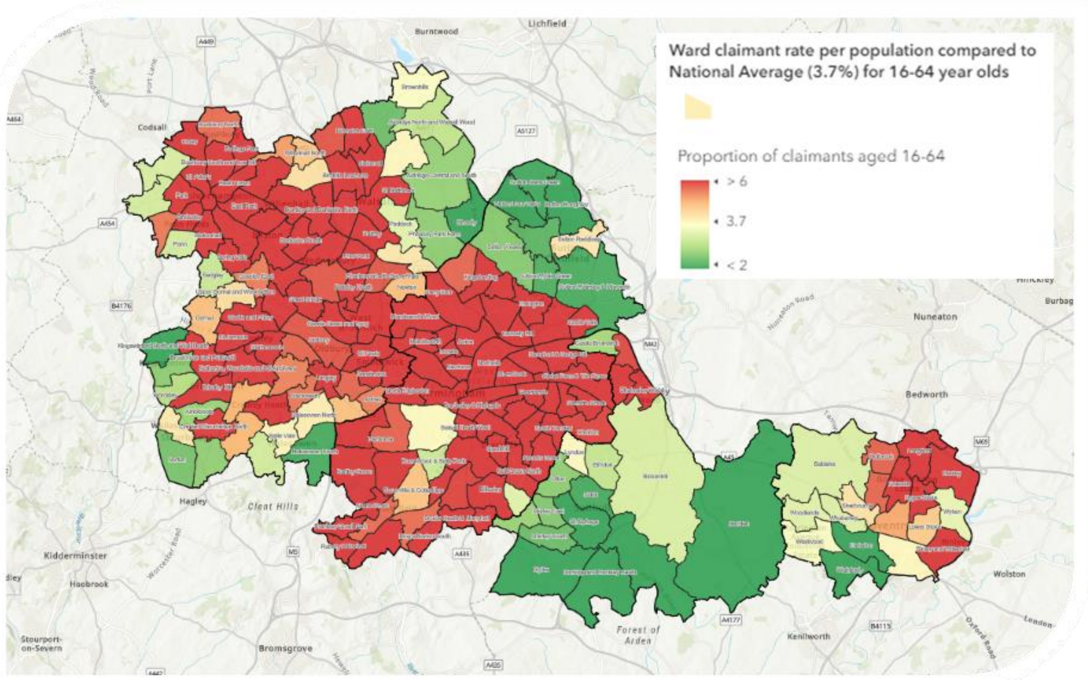
Claimants[4]

- There were **124,280 claimants** in the WMCA area in November 2023. Since October 2023, there has been an **increase of 1.2%** (+1,455), while the UK increased by 1.9%. When compared to November 2022, claimants have increased by 3.4% (+4,125), with the UK also increasing by 3.4%.
- Overall, for the WMCA the **number of claimants as a proportion of residents aged 16-64 years old was 6.7%** compared to 3.7% for the UK in November 2023.

Total Claimants Summary:

	November 2022	October 2023	November 2023	Monthly Change	Annual Change	Claimants as a Percent of Residents Aged 16-64: November 2023
Birmingham	60,550	62,630	63,535	1.4%	4.9%	8.6%
Coventry	11,775	12,380	12,345	-0.3%	4.8%	5.5%
Dudley	9,130	8,935	9,115	2.0%	-0.2%	4.6%
Sandwell	13,295	13,285	13,555	2.0%	2.0%	6.3%
Solihull	4,035	4,045	4,140	2.3%	2.6%	3.2%
Walsall	9,420	9,495	9,510	0.2%	1.0%	5.5%
Wolverhampton	11,950	12,055	12,075	0.2%	1.0%	7.3%
WMCA	**120,155**	**122,825**	**124,280**	**1.2%**	**3.4%**	**6.7%**
UK	1,504,010	1,524,915	1,554,570	1.9%	3.4%	3.7%

Total Claimant Rates Compared to National:



Youth Claimants (18-24 years old)

- There were 24,185 youth claimants in the WMCA area in November 2023. Since October 2023, there has been an increase of 1.9% (+440) youth claimants while the UK increased by 2.1%. When compared to November 2022, youth claimants have increased by 11.9% (+2,570), with the UK increasing by 8.1%.

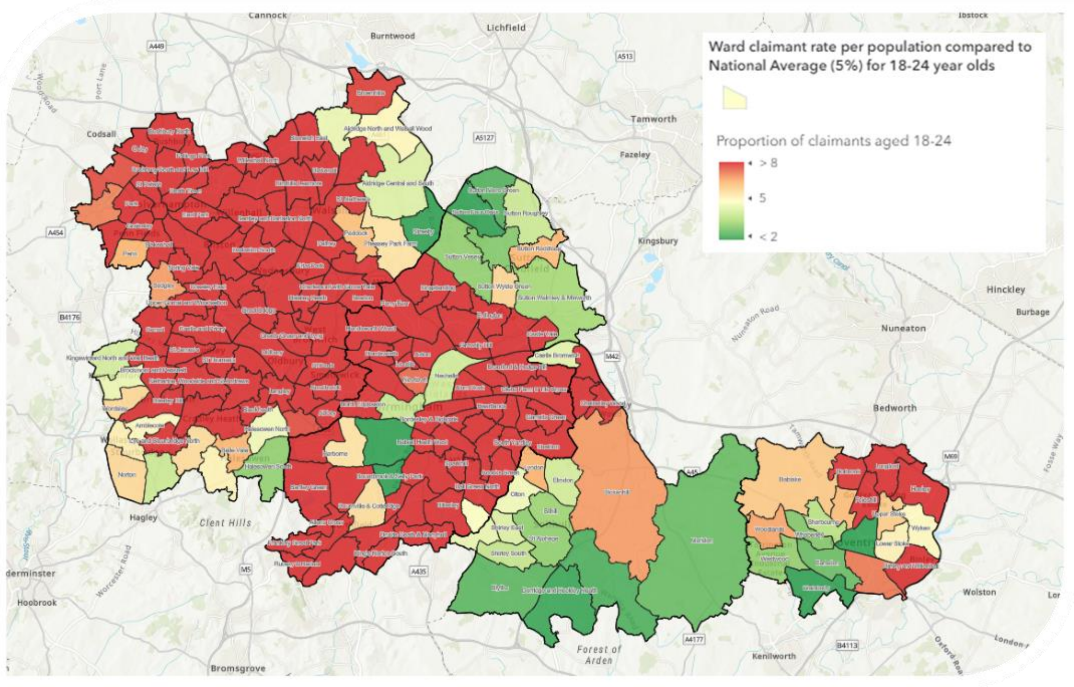
[4] Source: ONS/DWP, Claimant Count, December 2023. Please note, these are provisional figures and subject to revision next month.

- Overall, for the WMCA the number of claimants as a proportion of residents aged 18-24 years old was 8.5% compared to 5.0% for the UK in November 2023.

Youth Claimants Summary:

	November 2022	October 2023	November 2023	Monthly Change	Annual Change	Claimants as a Percent of Residents Aged 18-24: November 2023
Birmingham	10,785	11,935	12,155	1.8%	12.7%	9.4%
Coventry	2,015	2,200	2,215	0.7%	9.9%	5.2%
Dudley	1,695	1,775	1,840	3.7%	8.6%	7.8%
Sandwell	2,440	2,645	2,740	3.6%	12.3%	9.6%
Solihull	755	795	840	5.7%	11.3%	5.6%
Walsall	1,850	2,105	2,060	-2.1%	11.4%	9.1%
Wolverhampton	2,070	2,290	2,330	1.7%	12.6%	10.9%
WMCA	**21,615**	**23,745**	**24,185**	**1.9%**	**11.9%**	**8.5%**
UK	256,840	271,820	277,590	2.1%	8.1%	5.0%

Youth Claimant Rates Compared to National:



Regional Workforce Jobs[5]

- In September 2023, there were over 3.1 million workforce jobs in the West Midlands region. When compared to June 2023, the West Midlands region increased by 1.1% (+33,490) and the UK increased by 0.6%.
- When compared to September 2022, this was an increase for the West Midlands region by 4.1% (+123,669) with the UK increasing by 2.2% UK-wide. Notably, the West Midlands had the second highest growth rate (behind North East with +6.1%).
- When compared to the September 2018, West Midlands region workforce jobs increased by 5.8% with the UK increasing by 4.9% UK-wide.
- In September 2023, the top three sectors for workforce jobs in the West Midlands region at 13.6% was in human health & social work (423,789), 13.5% in wholesale & retail trade (420,697) and 10.4% in manufacturing (323,382).
- In real terms since September 2022 for the West Midlands region, the construction sector had the largest increase by 42,511 jobs (to 189,271). While in contrast, accommodation and food services had the largest decrease by 17,099 (to 174,552).

[5] Source: ONS, Workforce Jobs, December 2023

- While compared to September 2018 for the West Midlands region, the human health & social work sector had the largest increase by 56,120 jobs. While in contrast, wholesale & retail had the largest decrease by 36,855.

West Midlands Workforce Jobs by Industry:

Industry	**Workforce Jobs: September 2023**	
	Number	**Percentage**
A: Agriculture, forestry and fishing	23,387	0.8%
B: Mining and quarrying	986	0.0%
C: Manufacturing	323,382	10.4%
D: Electricity, gas, steam and air conditioning supply	19,290	0.6%
E: Water supply; sewerage, waste management and remediation activities	28,972	0.9%
F: Construction	189,271	6.1%
G: Wholesale and retail trade; repair of motor vehicles and motorcycles	420,697	13.5%
H: Transportation and storage	208,963	6.7%
I: Accommodation and food service activities	174,552	5.6%
J: Information and communication	82,870	2.7%
K: Financial and insurance activities	64,676	2.1%
L: Real estate activities	96,951	3.1%
M: Professional, scientific and technical activities	236,985	7.6%
N: Administrative and support service activities	278,853	9.0%
O: Public administration and defence; compulsory social security	114,173	3.7%
P: Education	256,891	8.3%
Q: Human health and social work activities	423,789	13.6%
R: Arts, entertainment and recreation	69,936	2.2%
S: Other service activities	99,156	3.2%
T: Activities of households as employers; undifferentiated goods-and services-producing activities of households for own use	5	0.0%
Total West Midlands Workforce Jobs	**3,113,785**	**100.0%**

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

Economic Inactivity in the West Midlands

Anne Green, WMREDI

Anne Green examines rates of economic inactivity in the West Midlands. Who is inactive and why?

This article was written for the Birmingham Economic Review 2023.

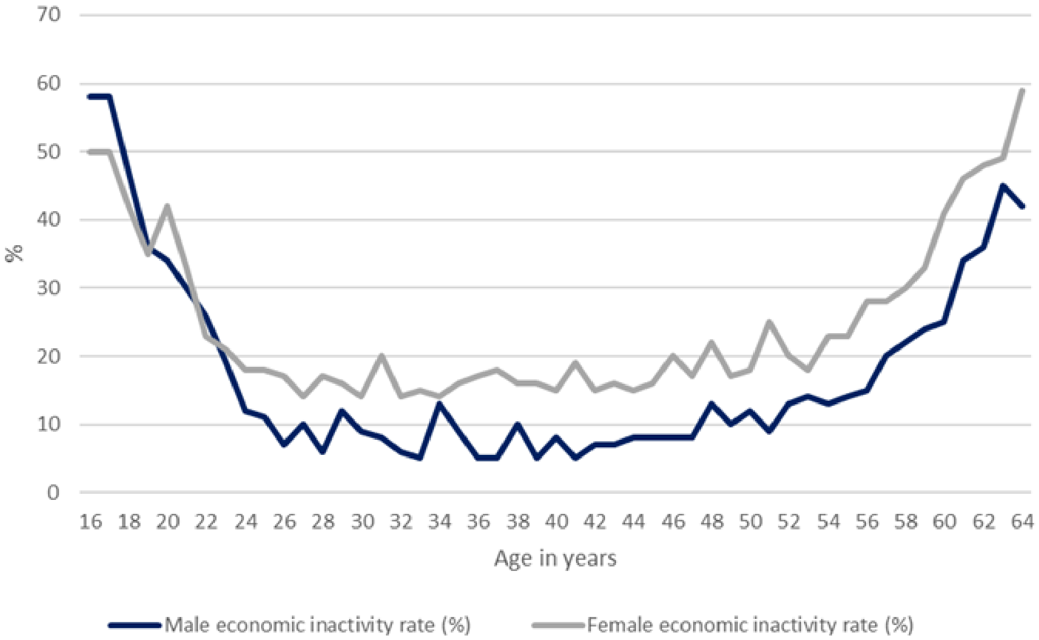
The review is produced by City-REDI / WMREDI, the University of Birmingham and the Greater Birmingham Chambers of Commerce. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.

In the context of concerns about labour and skill shortages, policymakers have increasingly focused attention on the economically inactive, defined as people not in employment who have not been seeking work within the last four weeks and/or are unable to start work within the next two weeks.

Economic inactivity in the UK

According to the 2022 Annual Population Survey, just over 9 million people of conventional working age (16-64 years) in the UK were economically inactive. People at either end of this age distribution are most likely to be economically inactive (as shown in the figure below).

Economic inactivity rate (%) by age and sex for people aged 16-64 years, UK, July to September 2022



Source: Labour Force Survey, 2023

Economic inactivity in the West Midlands

In the West Midlands metropolitan area, nearly 485 thousand people aged 16-64 were economically inactive in 2022. Females accounted for three in five of the economically inactive. The figure below shows the trend in the economic inactivity rate by sex for people aged 16-64 years over the period from 2017 to 2022 in the West Midlands metropolitan area in comparison with the UK.

In the West Midlands metropolitan area, the economic inactivity rate for both males and females was slightly lower in 2022 than in 2017 but slightly higher than in 2020. Inactivity rates were higher in the West Midlands metropolitan area than in the UK, at 26.1% overall (UK: 21.7%), 20.9% for males (UK:18.1%) and 31.2% for females (UK: 25.2%).

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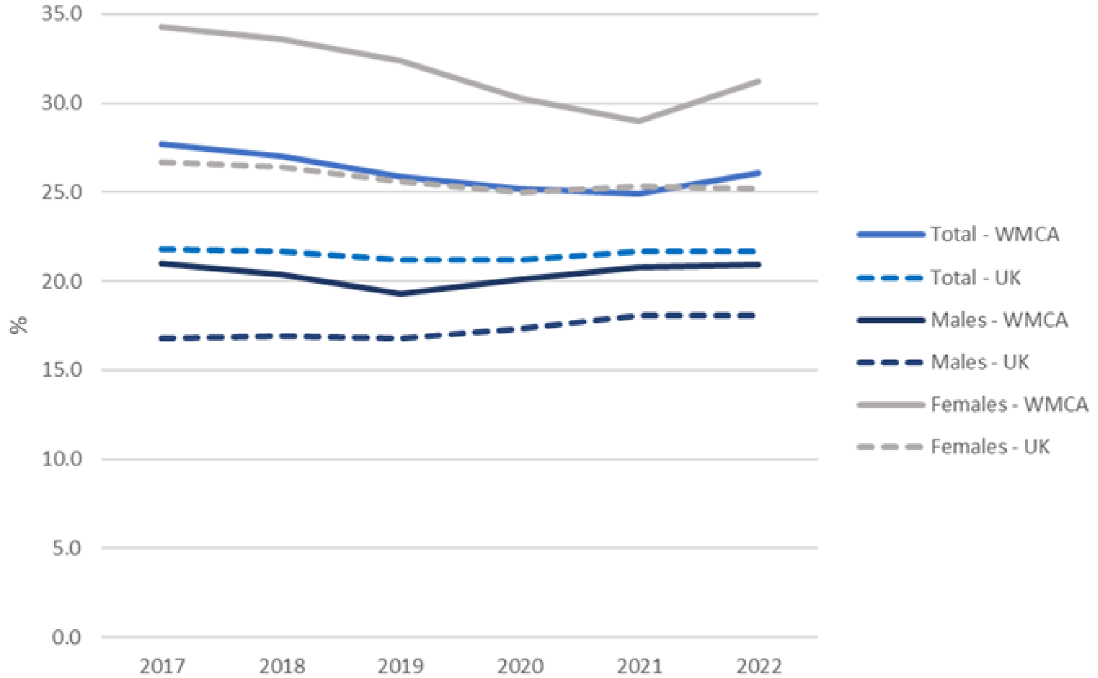
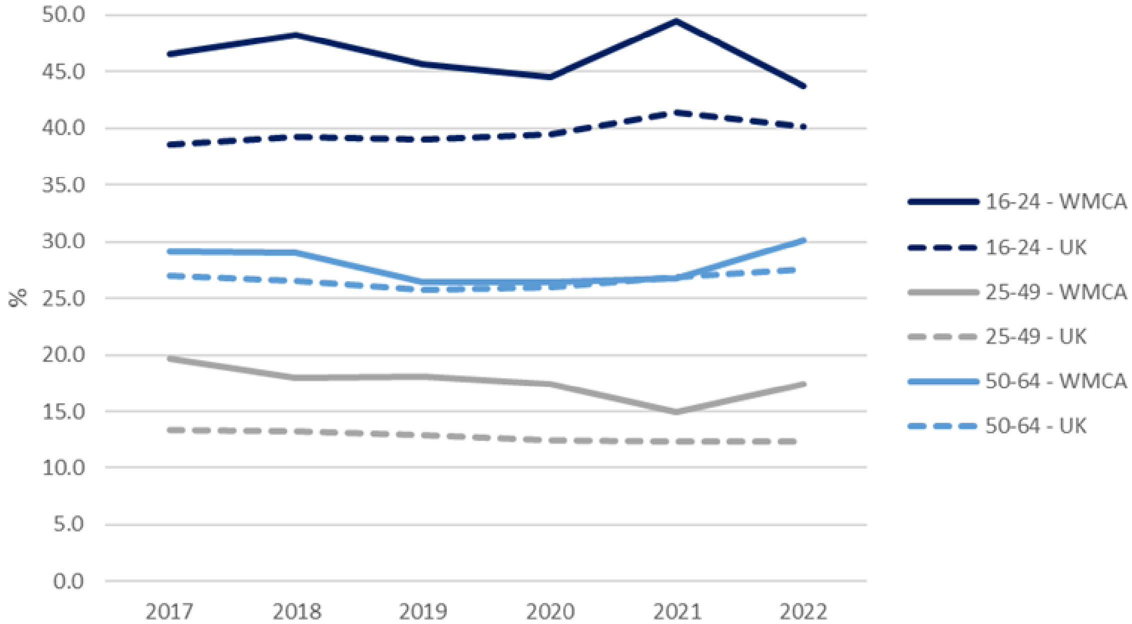
The trend in economic inactivity rate (%) by sex for people aged 16-64 years, 2017-2022, in the West Midlands metropolitan area and the UK



Source: Annual Population Survey (via Nomis)

The figure below shows the trend in the economic inactivity rate by broad age group over the period from 2017 to 2022 in the West Midlands metropolitan area in comparison with the UK. In the 16-24 years and 25-49 years age groups economic inactivity rates have remained stubbornly higher in the West Midlands metropolitan area than in the UK throughout the period. The local-national difference is less marked in the 50-64 years age group.

The trend in economic inactivity rate (%) by broad age group, 2017-2022, in the West Midlands metropolitan area and the UK



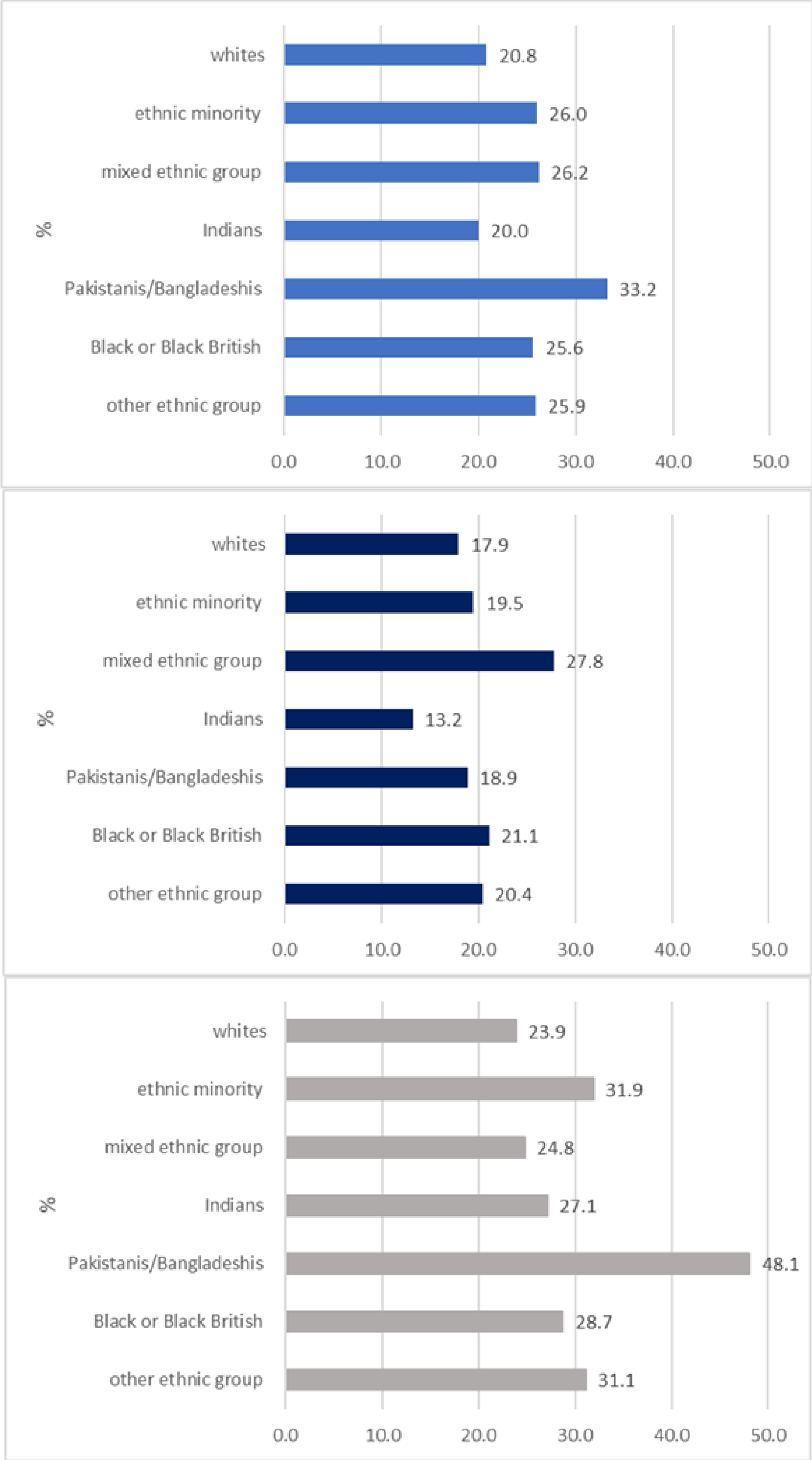
Source: Annual Population Survey (via Nomis)

Economic inactivity in the West Midlands by ethnic group and sex

Given the ethnic profile of the West Midlands metropolitan area, it is also instructive to examine economic inactivity by ethnic group and sex. The three figures below show that in 2022 the economic inactivity rate for ethnic minority groups overall was higher than for white residents but there are marked differences in economic inactivity rates between ethnic minority groups.

Economic inactivity is highest for the Pakistanis/Bangladeshis group, with one in three economically inactive. However, amongst females, nearly half are economically inactive compared with only 18% of males. For females, all ethnic minority groups identified display higher economic activity rates than white residents aged 16-64 years. Amongst males aged 16-64 years Indians display the lowest economic inactivity rate (13.2%). However, Indians are the only group exhibiting a lower economic inactivity rate than white residents amongst males.

Inactivity rate (%) by ethnic group and sex, 2022, in the West Midlands metropolitan area



Source: Annual Population Survey (via Nomis)

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A decline in people wanting to work

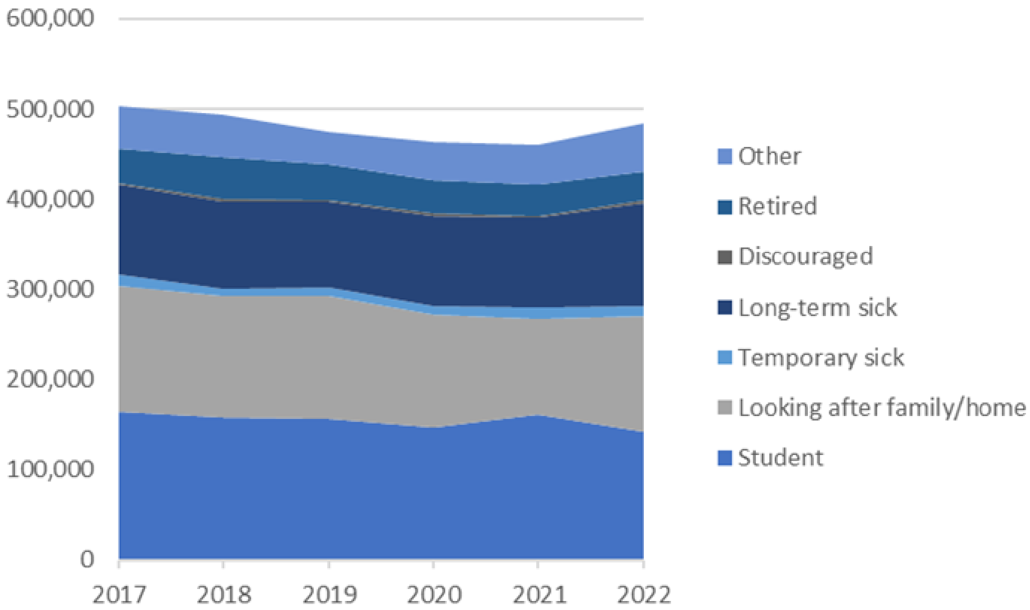
While the economically inactive are seen as a potential source of labour supply to address labour and skills shortages it should be noted that only a minority – 15.9% of the economically inactive aged 16-64 years in the West Midlands metropolitan area (UK: 17.9%) – wanted to work in 2022. The proportions wanting a job are fairly similar for males and females. In the West Midlands metropolitan area, as in the UK, the proportion of economically inactive people wanting a job has declined since 2020 (i.e., the height of the Covid-19 pandemic).

This represents a challenge for the economy of Birmingham and the West Midlands. Much of the attention during and since the Covid-19 pandemic when vacancies surged has been focused on the over-50s. In part this is due to the fact that the pandemic occurred at a time when the cohort aged 50-64 years was particularly large (as discussed further below), reflecting earlier birth peaks. This age group brings a wealth of skills and experience to the workforce, leaving a gap for employers to fill. Before the pandemic economic inactivity amongst this age group was declining, with one key factor being the rise in the State Pension Age for women, from 60 to 65 and then to 66. The trend for a reduction in economic inactivity went into reverse with the Covid-19 pandemic. Some sectors have been hit harder than others: the largest absolute numbers of workers aged 50 years and over are in education, health & social work, manufacturing and wholesale & retail, which together account for nearly half of older workers at the national scale.

Why don't the economically inactive look for work?

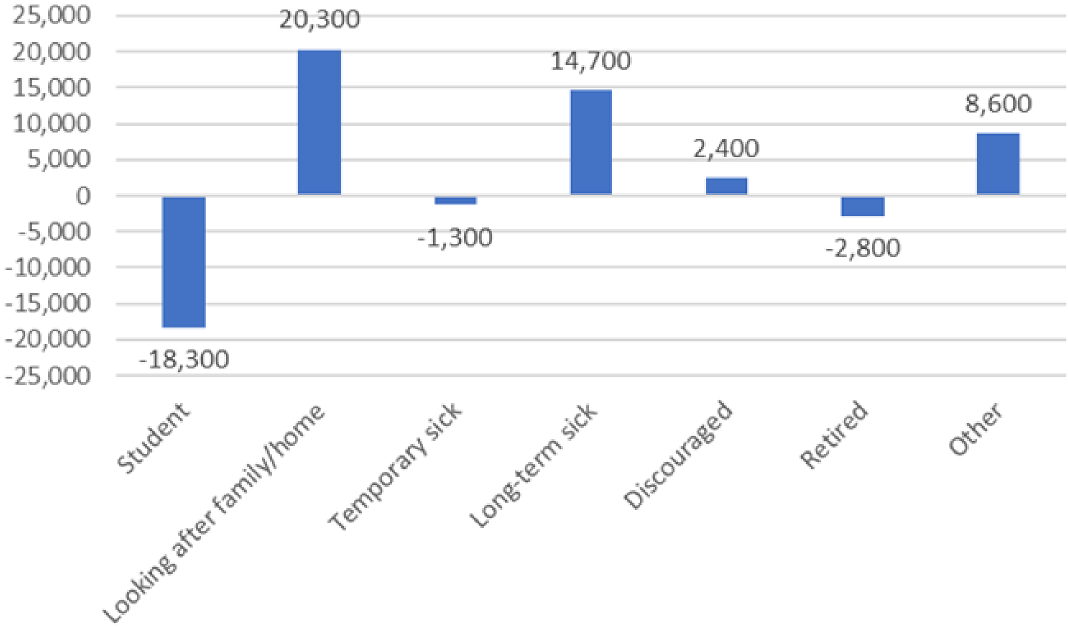
It is instructive to examine reasons why people are economically inactive. The figure below shows reasons for inactivity over the time period for the economically inactive aged 16-64 years in the West Midlands metropolitan area over the period from 2017 to 2022. There are three main reasons for economic inactivity: studying (accounting for three in ten people), looking after the family/home (accounting for one in four people) and long-term sickness (accounting for around one in four people). Most notably over this period has been a steady upward trend in long-term sickness as a reason for economic inactivity. Analyses by the Office for National Statistics indicate that the increase in long-term sickness or disability makes up a substantial proportion of the overall increase in economic inactivity nationally.[3] In the West Midlands metropolitan area, the second figure below shows that the largest annual increases in responses provided by economically inactive residents as reasons for inactivity between 2020 and 2021 were for looking after the family/home, long-term sickness and others, while the largest single decrease was for studying.

Reason for economic inactivity for economically inactive aged 16-64 years in the West Midlands metropolitan area, 2017-2022



Source: Annual Population Survey (via Nomis)

Change in reasons for economic inactivity for economically inactive aged 16-64 years in the West Midlands metropolitan area, 2021-2022

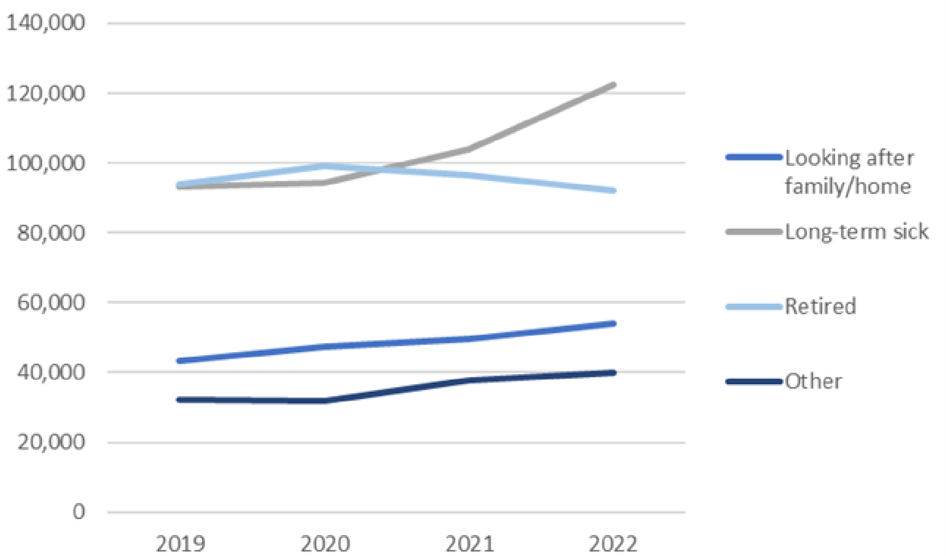


Source: Annual Population Survey (via Nomis)

The reasons for economic inactivity vary by age (and sex). Much of the recent policy debate on economic inactivity has focused on the over 50s.

In part, this reflects the fact that this age group represents a growing section of the population: the number of people aged 50-64 years in the West Midlands metropolitan area increased from 473.6 thousand in 2017 to 516,300 in 2022. The economic inactivity rate for this age group decreased from 29.1% in 2017 to 26.4% in 2019 before increasing to 30.1% in 2022.

Analyses at the West Midlands region scale show trends in the main reasons for economic inactivity for those aged 50-64 years over the period from 2019-2022. The figure below shows that in 2019 the two main reasons most commonly cited for economic inactivity were retirement and long-term sickness; each accounted for nearly 35% of the age group. While the number citing retirement remains substantial, the most marked increase is in long-term sickness, which accounted for nearly 39% of the economically inactive aged 50-64 years in 2022. The numbers citing looking after family/home and other reasons also increased.



Source: Annual Population Survey (via Nomis)

Overall, only around 15% of economically inactive residents in the West Midlands region indicated in 2022 that they wanted a job. This emphasises the scale of the challenge in tempting the over-50s out of economic inactivity and into employment. It highlights the entrenchment of early retirement but also the increasing issue of long-term sickness amongst the economically inactive. Evidence indicates that there are considerable variations between occupational sub-groups in the likelihood of poor health impacting moves out of employment into inactivity. Only around one in five of those aged 60-65 years in professional occupations left the labour market due to poor health. By contrast, one in three of those in elementary occupations or working as operatives did so.

International comparisons

Rising economic inactivity during the COVID-19 pandemic was an international phenomenon, but a subsequent reduction in inactivity is less apparent in the UK than in some other countries. A sub-group of economically inactive people in the UK, especially those who own their home, are relatively comfortable – albeit the cost of living crisis has had an impact on everyone. Others, especially those who moved from employment to economic inactivity due to poor health are not financially comfortable.

Research shows that there are significantly more negative attitudes to work in the UK than in Germany and the USA. Moreover, the pandemic appears to have had a greater impact on attitudes to work amongst those aged over 50 years in the UK. It appears that improving job quality can play an important role in stemming voluntary flows of older workers into economic inactivity, with flexible working hours and good pay being the most important factors in choosing a job.

This underscores the importance of labour demand factors in encouraging people aged 50 years out of economic inactivity and into employment.

Read the Birmingham Economic Review in full.

WMCA Apprenticeships Headlines 2022/23[6]
The Economic Intelligence Unit

- In the 2022/23, there were 7,920 apprenticeship achievements. When compared to 2021/22 this has increased by 17.5% (+1,180), following the national trend (+18.3%).
- In the 2022/23, there were 17,450 apprenticeship starts. When compared to 2021/22, this has decreased by 2.3% (-410), which reflects national trends (-3.5%).
- In 2022/23, there were 3,790 intermediate apprenticeship starts in the WMCA area, a decrease of 17.8% (-820), compared to England decreasing by 16.7% since 2021/22. There were 7,370 advanced apprenticeship starts, a decrease of 4.0% (-310), compared to England decreasing by 2.2% since 2021/22. There were 6,290 higher apprenticeship starts, an increase of 12.9% (+720), compared to England increasing by 6.2% since 2021/22.

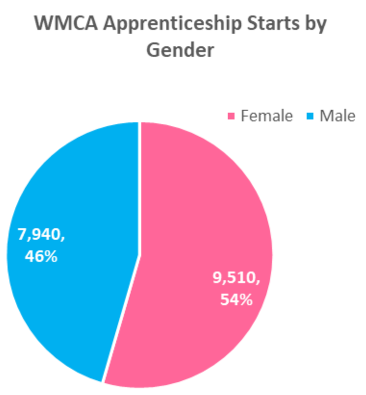
Apprenticeship Starts by Level:

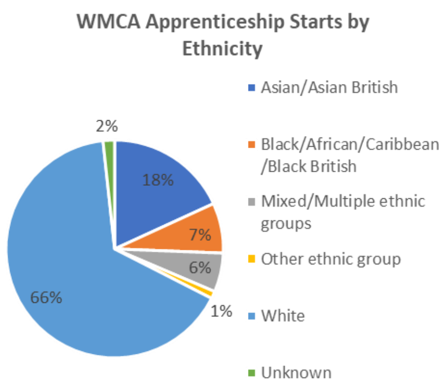
	WMCA				England		
	2021/22	2022/23	Annual Change		2021/22	2022/23	Annual Change
Total	**17,860**	**17,450**	**-2.3%**	**-410**	**349,190**	**337,140**	**-3.5%**
Intermediate Apprenticeship	4,610	3,790	-17.8%	-820	91,520	76,280	-16.7%
Advanced Apprenticeship	7,680	7,370	-4.0%	-310	151,310	147,930	-2.2%
Higher Apprenticeship	5,570	6,290	12.9%	720	106,360	112,930	6.2%

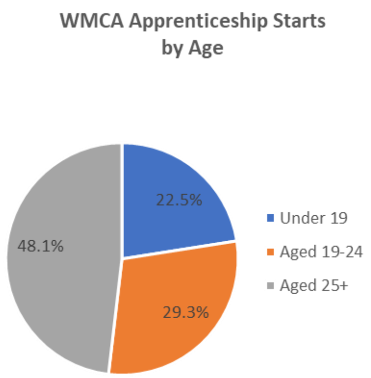
Gender/Ethnicity and Age

- There were more female apprenticeship starts (9,510) in the WMCA area in 2022/23.
- Ethnic minorities accounted for 32.5% (5,670) of total WMCA apprenticeship starts in 2022/23.
- In the WMCA area, over 25 years old accounted for 48.1% (8,400) of apprenticeship starts in 2022/23. While 29.3% (5,120) were aged 19-24 years old and 22.5% (3,930) were aged under 19 years old.

WMCA Apprenticeship Starts by Gender, Ethnicity and Age, 2022/23:







Sector Subjects

- Top three sector subjects in the WMCA area in 2022/23 were: health, public services & care (32.3%), business, administration & law (28.7%) and engineering & manufacturing technologies (12.0%).
- The largest decrease in real terms since 2021/22 was in retail & commercial (by -250 to 1,610), business administration & law (by -220 to 5,010) and engineering & manufacturing technologies (by -140 to 2,100).

[6] Source: Department for Education, Apprenticeships and traineeships, released November 2023. Please note, the time period is the academic year.

- The largest increase in real terms since 2021/22 was in information & communication technology (by +210 to 1,260) and health, public services & care (by +50 to 5,630).

WMCA Sector Subjects:

	2021/22	2022/23	Annual Change	
Total	**17,860**	**17,450**	**-410**	**-2.3%**
Agriculture, Horticulture and Animal Care	180	150	-30	0.9%
Arts, Media and Publishing	120	100	-20	0.6%
Business, Administration and Law	5,230	5,010	-220	28.7%
Construction, Planning and the Built Environment	930	940	10	5.4%
Education and Training	460	430	-30	2.5%
Engineering and Manufacturing Technologies	2,240	2,100	-140	12.0%
Health, Public Services and Care	5,580	5,630	50	32.3%
History, Philosophy and Theology	low	low	-	-
Information and Communication Technology	1,050	1,260	210	7.2%
Leisure, Travel and Tourism	210	200	-10	1.1%
Retail and Commercial Enterprise	1,860	1,610	-250	9.2%
Science and Mathematics	10	20	10	0.1%
Social Sciences	low	low	-	-
Unknown	no data	no data	-	-

Self-Employment in the West Midlands

Darja Reuschke, WMREDI

Darja Reuschke looks at the impact the pandemic had on self-employment in Birmingham and the West Midlands.

This article was written for the Birmingham Economic Review 2023.

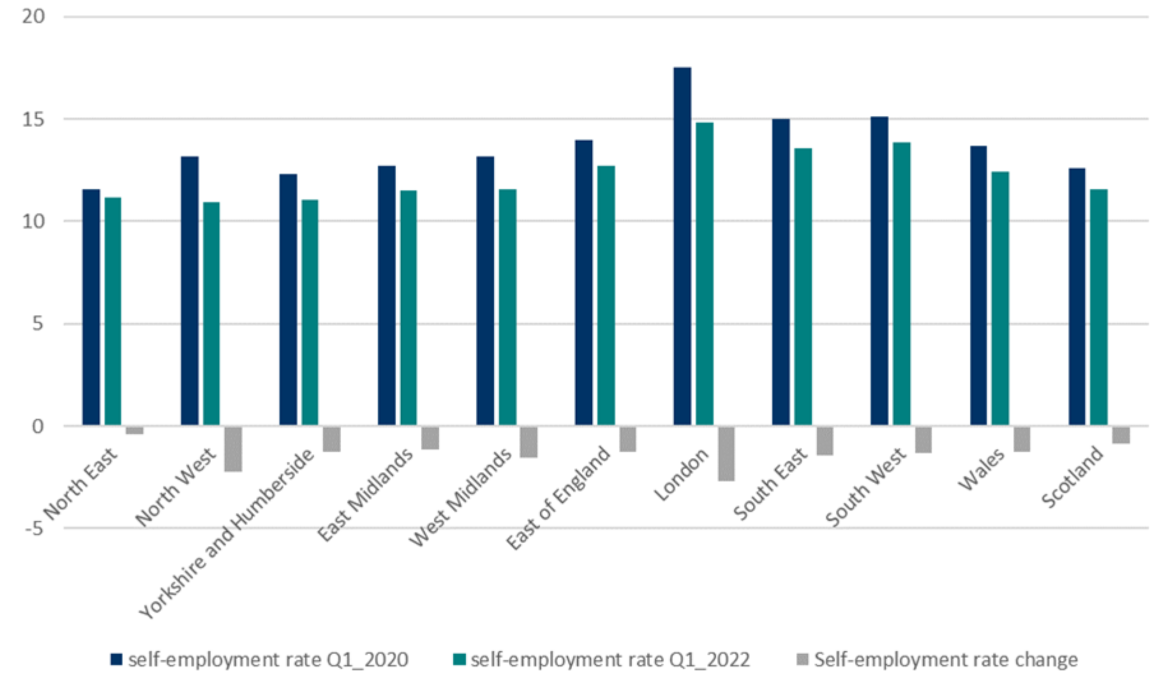
The review is produced by City-REDI / WMREDI, the University of Birmingham and the Greater Birmingham Chambers of Commerce. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.

The pandemic had a large adverse impact on self-employment in the UK, reflecting restrictions on trading, reduced revenues, cashflow difficulties, and other uncertainties faced by many micro businesses.
Across the UK, self-employment fell from 4,971,000 workers in the first quarter of 2020 to 4,393,000 in the first quarter of 2023, a decline of 578,000 individuals in contrast to an ***increase*** of 607,000 among employees (ONS, 2023).

Changes in local labour markets over this period can thus only be understood with explicit reference to self-employment.

Self-employment shrunk across all regions in England, and also in the devolved nations, in absolute and relative terms. The West Midlands has seen one of the greatest reductions in the self-employment rate (the proportion of workers who are self-employed). Between the 12 months up to March 2020 (the period before pandemic lockdowns) and the 12 months up to March 2022 (a period when lockdown laws were phased out and finally came to an end), the self-employment rate dropped in the West Midlands from 13.2% to 11.6% (figure below). The fall of the regional self-employment rate in England was only higher in London and the North West.

Self-employment rate change, 12 months up to March 2020 to 12 months up to March 2022

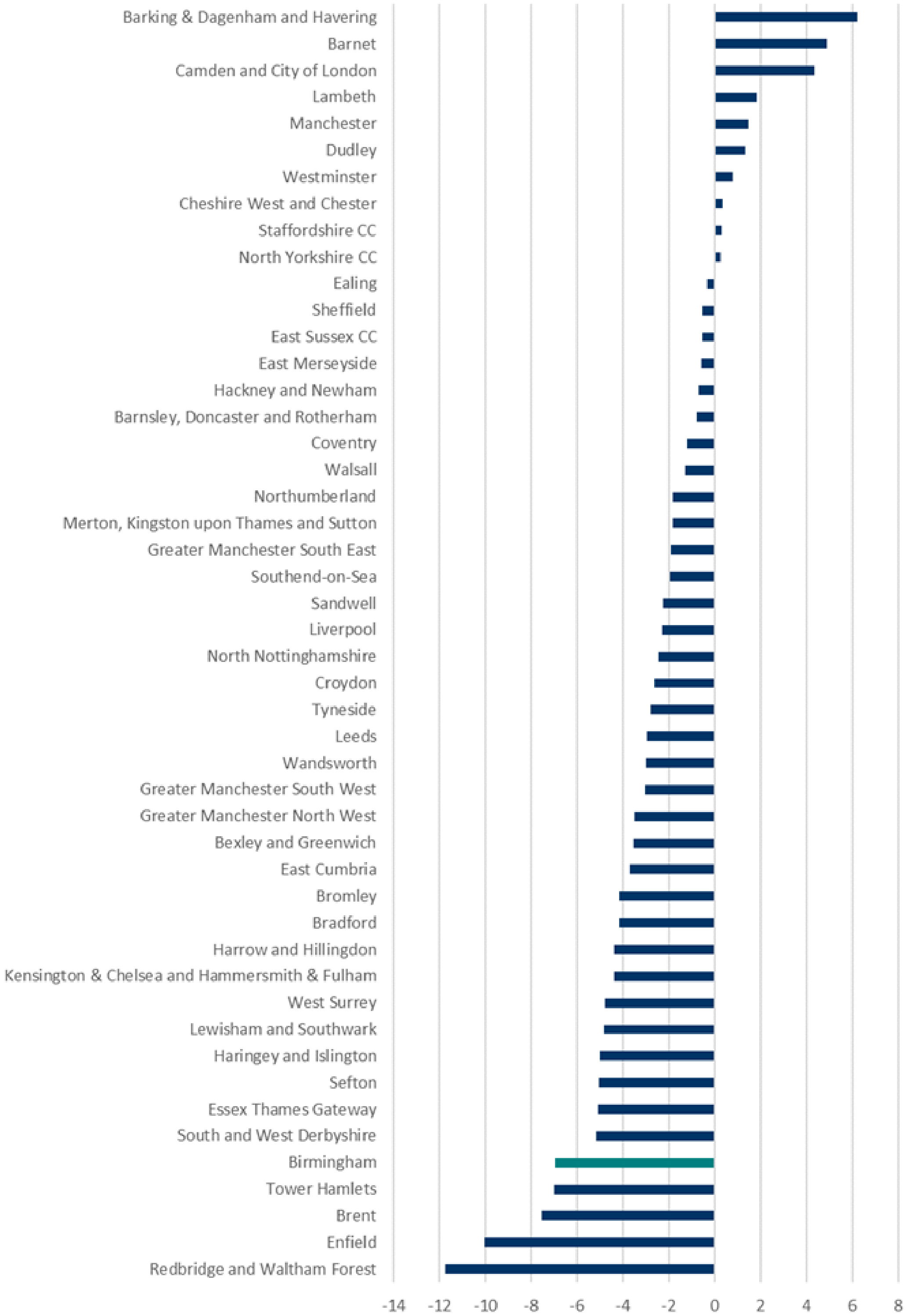


Source: Annual Population Surveys, download from Nomis, 2023

When further considering self-employment in major conurbations in England (at NUTS3 area level), Birmingham clearly stands out (figure below). Before the pandemic outbreak, between April 2019 and March 2020, Birmingham's self-employment rate was at 15.4% which was marginally above the average self-employment rate of major conurbations in England of 15.2%.

Across major conurbations in England, the self-employment rate fell on average to 12.9% between April 2021 to March 2022 as a direct consequence of the COVID-19 pandemic. However, in Birmingham, the self-employment rate dropped to 8.5% which is not only well below the average of major England conurbations but is also one of the greatest falls in local self-employment seen by major conurbations in England over this period. The fall in self-employment was only higher in some London boroughs.

Self-employment rate change in major English conurbations, NUTS3 areas



Source: Annual Population Surveys, 12 months up to March 2020 to 12 months up to March 2022, download from Nomis; compilation by Reuschke Note: Birmingham highlighted in green

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

How can this exceptional fall in self-employment in Birmingham be explained and what does this mean for the labour market and future economic growth of the city?

On the positive side, Birmingham has seen over this period a strong increase in its employment rate by 6% while the unemployment rate sunk by -2.5%. The inactivity rate only marginally increased by 0.3% so the dramatic fall in the self-employment rate seems to relate to the increase in paid employment and overall employment growth (approx. 3,200 jobs including self-employed jobs) over this period. Birmingham is similar in this overall trend to other major urban conurbations although the scale of impact has been more extreme than elsewhere.

It appears then that the paid employment sector attracted many previously self-employed although the data do not allow further investigation of the kinds of jobs that the self-employed have taken up. It is also likely that Birmingham with its high proportion of ethnic minority groups, had more self-employed who were not eligible for the Self-Employment Income Support Scheme (SEIS) which was administered in a total of five tranches by the HMRC. The scheme itself was considered as similarly generous as the furlough scheme.

However, the first tranche of payment was made much later than the furlough scheme. Moreover, a numerically large group of the self-employed was excluded from income support. The scheme was designed for the more established self-employed with regular tax returns. The newly self-employed with no previous tax returns were not covered by the scheme. Both young individuals and those on lower incomes are less likely to have filed tax returns as required by the scheme. This will also disproportionately affect ethnic minorities.

It is important to understand whether the significant reduction in self-employment may mean a loss in entrepreneurial capacity in the city and lower economic growth and innovation potential in the future. Particularly for younger people, the pandemic may have made self-employment more unattractive compared to paid employment, specifically in the context of rising energy, food and housing costs. The longer-term effects of the radical change in the labour market in Birmingham need to be monitored.

Read the Birmingham Economic Review in full.

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

The Midlands Recruitment Sector in 2023

Jack Stockport, Business Technology Manager, SF Recruitment

Jack Stockport, Business Technology Manager from SF Recruitment discusses some of the key factors behind the encouraging performance of the Midlands recruitment sector.

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.

Whilst it is important to note market activity (number of active vacancies being recruited) dropped by 20% in Quarter 1 it is hugely pleasing to report that the classic 'Brummie' spirit of innovation & adaptation has driven far better market conditions than first feared with Quarter 2 showing a return to pre-covid market conditions across the regions key growth sectors.

Key factors to explain this:

Location
Birmingham's excellent geographical location facilitates the easy flow of talent into the region from the North and South of the UK with investment into local transport infrastructure helping to connect our cities and widen the commutable radius for candidates.

30% lower wages than London have attracted a wide range of traditionally 'London-centric' businesses (HSBC, Goldman Sachs etc) creating thousands of jobs and helping support the construction sector within the city.

A Young and Diverse Society
The youngest, most diverse society in the UK is supported by five universities that themselves are attracting millions of pounds of inward investment into SciTech innovation. This is resulting in a young, entrepreneurial talent pool entering the regional job market rather than leaving for London or overseas opportunities that were commonplace pre-2018.

Public body coordination
The city is also lucky to be served by organisations such as West Midlands Combined Authority (WMCA), WMTech, the Birmingham Chamber of Commerce and West Midlands Growth Company (WMCG) that collaborate for the shared purpose of economic growth. From a recruitment point of view, it's these organisations that are the beating heart of the city proactively attracting businesses to the area alongside supporting the growth of existing ones.

Key growth areas
At SF we are seeing the tech sector as a key area of growth with the West Midlands being named the fastest-growing tech cluster across the UK. On a granular level, SF's technology team have recorded a 12% 2022/2023 growth with a 20% uplift in hiring actively across the FinTech & MedTech space. This is the cumulation of the sector's appetite for innovation, which is reflected in their dynamic, flexible hiring strategies allowing them to attract the best talent ahead of more traditional financial services organisations.

We have seen traditional manufacturing, retail & engineering firms struggle to recruit & retain staff in 2023 as they battle with raw material cost pressures, overseas competition and wage inflation.

The businesses that have succeeded in hiring have overhauled their employee value proposition offering long-term career growth and learning opportunities. This strategy is key to ensuring long-term business viability.

Wage inflation
Whilst 2022 was all about wage inflation with candidate demand for large pay rises at an all-time high 2023 is all about the 'need for speed' to secure top talent. Successful recruitment campaigns are being completed within three weeks with a two-stage video/ on-site interview process producing the best results. As wage inflation stabilises it's the ability of businesses to recruit thoroughly yet at speed which is key to sustainable growth.

In summary, Birmingham is hugely fortunate to be filled with great people and businesses that have been instrumental in placing the city on the global map for innovation. It is this mindset that is laying the foundations for a hugely exciting couple of years ahead!

Read the Birmingham Economic Review in full.

The Potential Impact of Youth Social Prescribing in the West Midlands on Employment and the Economy: Final Report and Evaluation Framework

Joanne Mills and Rachel Hopley, University of Wolverhampton

Joanne Mills and Rachel Hopley from the University of Wolverhampton have designed an evaluation framework to help identify the potential impact of youth social prescribing within the West Midlands on employment and the economy.

They have written this blog to give an update on the Institute for Community Research and Development's recent project with WMREDI and launch a call to action for the framework to be tested and refined.

Visit the Institute for Community Research and Development webpage.

Social prescribing aims to help people access local, non-clinical services and activities provided by voluntary and community organisations in order to support their social, emotional, and practical needs. Interest in, and delivery of, social prescribing for young people across the UK is growing. Research undertaken as part of a 15-month collaboration between the Institute of Community Research and Development (ICRD) at the University of Wolverhampton and the West Midlands Regional Economic Development Institute (WMREDI) sought to examine the need for and benefits of social prescribing provision for young people in the West Midlands and its economic and employability impact.

This multidisciplinary research project is built on ICRD's previous work with community social prescribing providers. In particular, previous research undertaken by ICRD identified, in relation to the economic and employment focus of this investigation, that while many referrals to social prescribing services in the Black Country were related to mental health needs, often accompanying issues around debt, housing, and other financial issues were raised – highlighting the need for link workers, referring agencies, and individuals, to understand the link between mental health needs and other more social or economic issues.

Partners

Working with existing partners in the West Midlands, the current project commenced with a review of existing evidence (published in our research digest), followed by a survey of providers in the West Midlands (see blog for key findings) and culminated in the **production of an evaluation framework** for commissioners and providers to measure the impact of social prescribing for young people.

Dr Mubasshir Ajaz (Head of Health and Communities at the West Midlands Combined Authority) said of the work: "The core message of this report is the potential of social prescribing to transform the lives of young people in the West Midlands. It is a call to action, urging stakeholders to recognise the need for a more interconnected approach to provision and a deeper understanding of the value of existing services. … This tool will help in the planning of new services, measurement of the impact of existing services, and service development – to ensure programmes have the best impact possible on the health and wellbeing and employment needs of young people in the region."

An Evaluation Framework for Social Prescribing for Young People

The conditions in which individuals are born, live and work have implications on their health and economic status. Our research has shown that there is a clear need for specific social prescribing services aimed at young people in the West Midlands, and that providing appropriate support has the potential to enable young people to enter the workplace (for example, addressing mental health conditions and raising self-esteem).

Research to date suggests there is the potential for social prescribing to close skills gaps and further develop soft skills such as communication and confidence, with a link to having a positive effect on individual economic status, social capital, and employability for adults. This requires further exploration and evaluation with young people.

However, such a provision is in its infancy, and **further evaluation is required to understand the impact on young people**. Social prescribing schemes require a robust method to track the effectiveness and impact of financial and employment support. While initial financial outlay on the provision of such services may be difficult in the current economic climate, our research shows that the economic benefits to both the individual and the region could potentially outweigh this, so it is important that there is the ability to capture this within monitoring data.

In turn, this could benefit the acquisition of future funding sources to support continued social prescribing delivery where it is valued and needed.

Our suggested **evaluation framework provides a proportionate and pragmatic tool** for providers and commissioners to provide oversight of the outcomes and outputs of social prescribing, particularly in relation to the potential economic and employability impacts for young people.

Given the large array of social prescribing approaches and activities, we appreciate that providers may have additional outcomes and their own specific outputs relevant to their service and users. Our aim here is to help providers and commissioners think of additional data they could be collecting to demonstrate their impact more fully and have more consistent approaches to monitoring the impact across multiple providers to better collate the impact across the West Midlands.

Call For Action

We invite commissioners and providers of social prescribing for young people to implement our evaluation framework; and for researchers to test and refine our evaluation framework. We ask everyone utilising the findings of this report to connect with the research team at ICRD via socialprescribing@wlv.ac.uk and share their experiences.

The Potential Impact of Youth Social Prescribing in the West Midlands on Employment and the Economy: Final Report and Evaluation Framework (add link when published).

International Students in the West Midlands: The Costs, Benefits and Housing Implications

Dimas Almaruf, WMREDI

Summer intern Dimas Almaruf presents the first part of a two-part series of blogs on the economic impact of international students in the UK. Part I sets the scene by providing information on the number of students in the region.

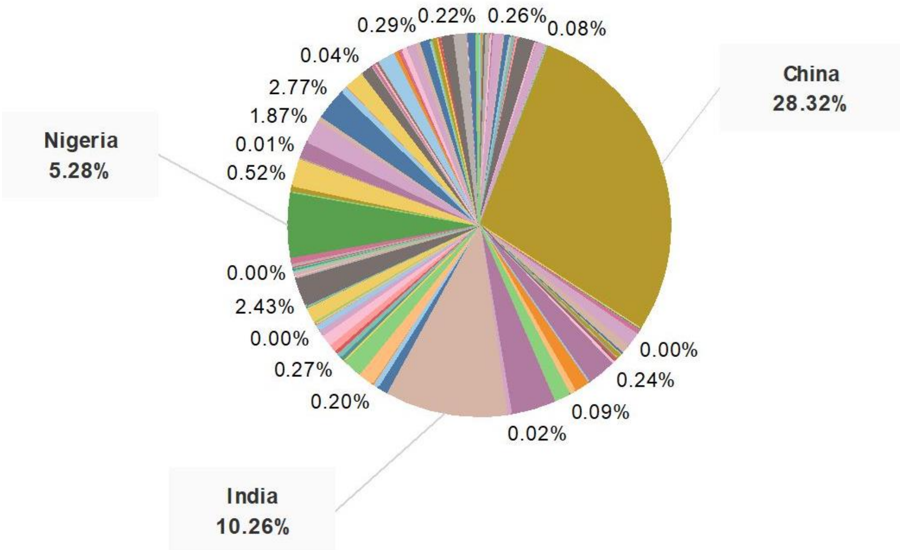
Introduction

The United Kingdom has long been a favourite destination for international students to pursue their higher education at all levels. This article discusses the insights into the presence of international students in the UK, their contributions, and the challenges they face during their study time.

The numbers at a glance

The UK has been a magnet for international students, and the numbers continue to rise. According to the Higher Education Statistics Agency (HESA), in the academic year 2021/2022, the UK hosted a staggering 679,970 international students, comprising 120,140 EU-domiciled students and 559,825 from various countries worldwide. The number has increased from 442,225 in 2014 (53%) when the data was first recorded by HESA. This number signifies the UK's continued appeal as a global educational hub. In addition to that, this article focuses on observing the number of international students in the West Midlands; the region hosted more than 50,000 students at its 15 higher education providers.

Figure 1 – Percentage of student's domicile in the West Midlands in the 2021/2022 academic year

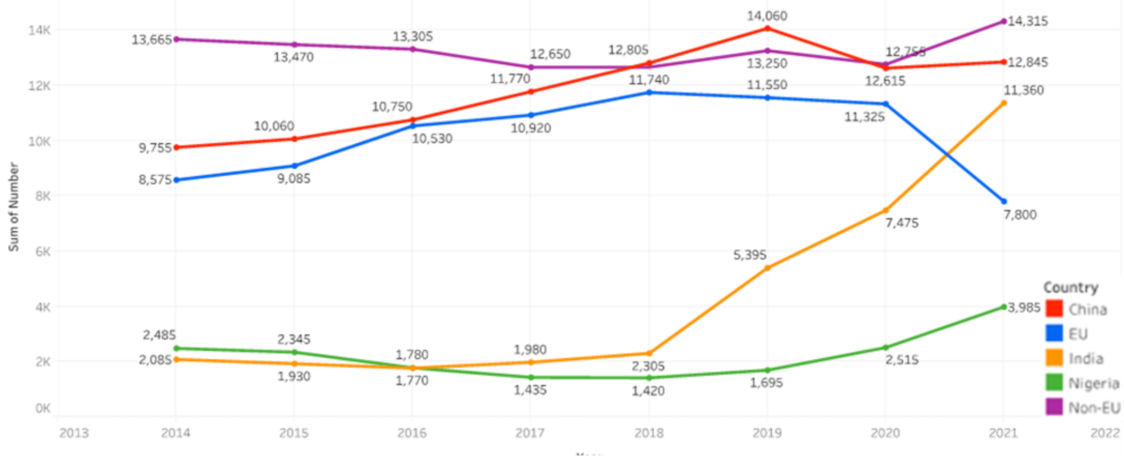


Source: HESA (2023)

Figure 1 shows China, India, and Nigeria stand out as the top three exporters of international students to the West Midlands.

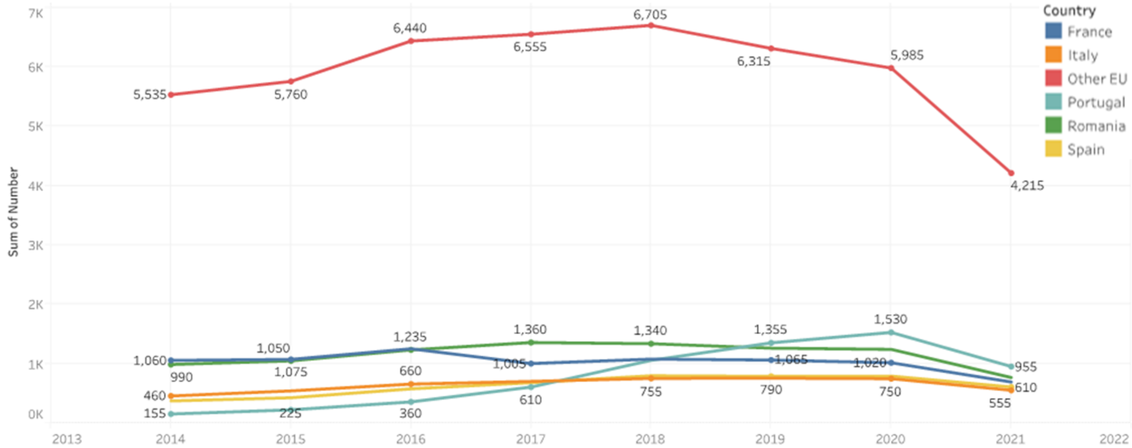
In the 2021/2022 academic year, China comprises 28% or 12,845 of the total international student population in the West Midlands. Meanwhile, India is in the second position with 10% or 11,360 students coming to the UK to study. The number of Nigerian students studying in British universities in the West Midlands is 3,985 students, comprising 5% of the total international student population in the area. Figure 2 shows the change in international students in the West Midlands between 2014 and 2021. The figure shows that overall the international student population has grown from 36,000 to over 50,000. The make-up has also changed. India is on the rise, while Figure 3 depicts a drop off in EU students post Brexit in 2020, although EU students are a small fraction of total international students.

Figure 2 – The number of international students in the West Midlands from 2014 to 2021 academic year



Source: HESA (2023)

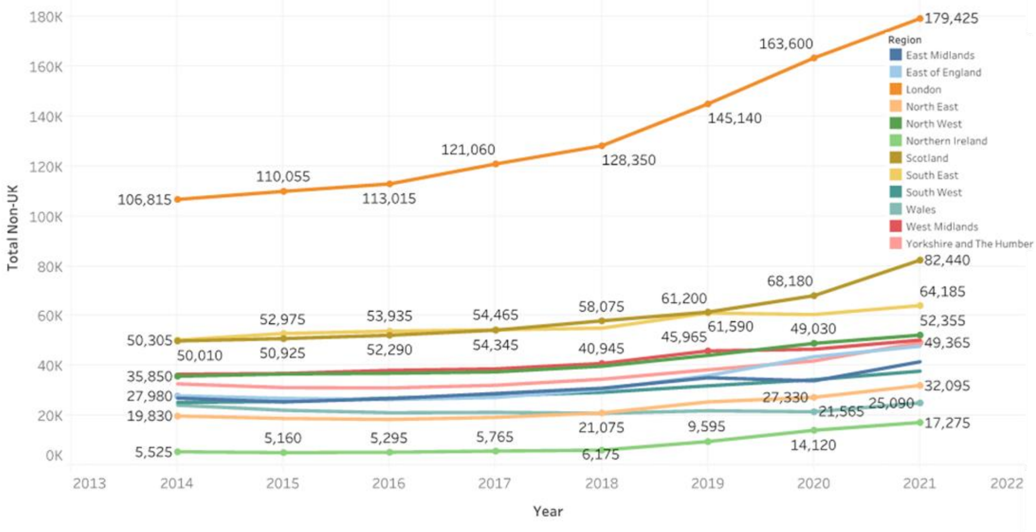
Figure 3 – EU students coming to the UK from 2014 to 2021 academic year



Source: HESA (2023)

While the UK attracts students from all over the world, the distribution of international students across regions varies significantly (see **Figure 4**). London attracts the highest number of students, indicating its enduring appeal as a global business & educational hub. The number of international students in the West Midlands is very similar to those studying in the North West and Yorkshire and The Humber regions. However, the North East and North West regions exhibit comparatively lower enrolment figures, reflecting potentially lesser educational infrastructure and post-graduation opportunities.

Figure 4 – International students by region from 2014 to 2021 academic year



The benefits of hosting international students

The UK derives substantial benefits from international students. According to a report by Cannings et al (2023), hosting international students for a single cohort incurs a total cost of £4.4 billion, but it generates a cumulative net benefit of £37.4 billion from various activities associated with international students and their dependents throughout their study. The economic impacts generated by international students mainly come from tuition fees, housing rent, entertainment, and daily food consumption. A more detailed discussion pertaining to the economic benefits of international students will be available in the next chapter of this series.

Diversity and productivity

Given the nature of international students, diversity is the biggest investment they have brought to the UK during their study time. Diversity is not merely just jargon, it is a catalyst for innovation. Research by Vegt & Janssen (2003) shows that a diverse team, led by effective leadership, can significantly boost a company's performance. Therefore, UK business organisations must anticipate this potential by opening opportunities for international students to start their careers here upon their graduation. The diversity attached to international students, combined with a high qualification from British universities, will significantly boost earning potential and thus, contribute to the regional economic growth.

The costs

Hosting international students does come at a cost, with expenses associated with their stay in the UK, including healthcare, housing, and education. Notably, the UK government (2023) introduced changes in the NHS Immigration Health Surcharge, impacting the costs associated with international students' healthcare.

The most prominent issue with rising student numbers is the impact on the local housing market. An issue that can be viewed at the regional level.

The challenges for the region – Housing

As the number of international students in the UK continues to rise, the demand for student housing has surged, creating a housing crisis. A survey by StuRent (2022) revealed a shortfall of 207,000 beds for students nationwide. Birmingham City, a popular destination for international students, suffered a 10% undersupply of beds in the 2022/2023 academic year.

Birmingham City Council's simulation for the 2023/2024 academic year demonstrates the extent of the issue. The potential future demand for student housing in Birmingham City is estimated to be between 46,640 and 47,640, while the existing and committed supply falls short at 29,751. This indicates a substantial shortfall in available housing for international and local students alike.

Table 1. Housing shortage projection in Birmingham City

University/ Location	Selly Oak/ Edgbaston	City Centre	Bartley Green	City-wide
Potential future demand	24,407 – 25,407	21,717	516	46,640 – 47,640
Existing + Committed Supply	10,357	19,088	306	29,751
Shortfall/ surplus	**-14,050 to -15,050**	**-2,629**	**-210**	**-16,889 to -17,889**

Source: Birmingham City Council (2023)

The housing scarcity issue affects international students disproportionately. As the UK's population is set to expand by 27% between 2020 and 2030, the demand for university housing is expected to surge, further exacerbating the crisis (HEPI, 2020). In addition to the housing crisis, international students have faced other challenges, such as the impacts of Brexit on tuition fees and immigration status, as well as the loss of support schemes like the Erasmus+ program.

Conclusion

International students continue to play a pivotal role in the UK's higher education landscape, both in terms of contributions and challenges. The housing crisis poses a significant obstacle for both international students and local residents affected, but it's a reflection of the UK's enduring appeal as a global education destination. The costs of hosting international students are outweighed by the long-term benefits, making them a valuable asset to the country's education system and its economy. As the demand for student housing continues to grow, addressing this issue becomes crucial to maintaining the UK's status as a top destination for international education.

This blog shares some initial findings of a new project in collaboration with the Birmingham Commonwealth Association considering the impact of international students in the West Midlands. For more information and the latest update contact Dr Matthew Lyons at City-REDI.

Money Talks – Reassessing Transport Priorities Following HS2

Magda Cepeda-Zorrilla and Donald Houston, WMREDI

Magda Cepeda-Zorrilla and Donald Houston discuss how transport priorities have changed following HS2. They argue that buses are good value for taxpayers, are important to those who do not have any other form of transport and can foster inclusive economic growth.

In England, public support for bus operators and users totalled £3.1 billion in 2021-22 – compared to £25.1 billion for rail in the same year.

This is despite local bus trips outnumbering journeys made on the national rail network by 3:1 (3.1 billion bus trips versus 1.0 million rail journeys). That means the average rail journey costs the taxpayer around 25 times more than the average bus trip. Most bus trips are much shorter than rail trips and rail is more energy efficient than bus – so in some ways, this is an unfair comparison – and we are certainly not arguing that public spending on rail should be reduced. Rather, we are arguing that – even a substantial – increase in support for buses would be dwarfed by levels of spending on rail.

HS2

HS2 between London and Birmingham alone is budgeted to cost £45 billion (at 2019 prices) – and this is expected to rise due to cost overruns (plus inflation, of course). The planned northern leg from Birmingham to Manchester that was axed in October 2023 saved £36 billion, which the government has pledged to redirect to other transport projects – mainly conventional rail but also some significant investments in bus infrastructure and subsidies.

This is all to be welcomed (except, perhaps, the axing of HS2 north of Birmingham) but many of these schemes were already being planned and may have been funded, so the extent to which the £36 billion represents genuinely new money is a moot point.

At the end of September 2023, Roads Minister Richard Holden confirmed allocations for 64 local authorities across England from the £80 million (0.2% of the £36 billion 'released' by scaling back HS2) funding to improve and protect bus services, although other bus investments around the regions have also been proposed with recycled HS2 money.

The funding is aimed to continue to help lower fares and improve bus reliability and punctuality while preventing service reductions. According to the Department for Transport (DfT), the funding follows the first £80 million bus service improvement plans (BSIPs) + investment for 2023 to 2024, and the previous £1 billion from the first BSIP funding announced in 2022. This fund comes on top of a further £140 million announced in May from the extension of the Bus Service Operators Grant (BSOG), taking the total to £300 million into 2025.

The welcome potential injection of investment and enhanced subsidies for local buses offers a moment to reflect on how local bus services are supported through public spending. We therefore now turn to look at the characteristics of the passengers and who benefits from the use of bus services; the importance of a balance between subsidy to operator's vs to people and how bus subsidies work (concessionary fares, local bus grant, socially tendered routes).

Type and characteristics of the passengers

There are two broad passenger types, concessionary and non-concessionary passengers. Concessionary passengers are either elderly or disabled people (free to travel anywhere in England since April 2008).

Free travel for young people is only available in the local authorities where such travel schemes exist, which is relatively rare in England and Wales where only 18 local authorities provide financial support to subsidise children and young people's fares.

If you live in Scotland and are 5-21 years old you are eligible for a card giving you free bus travel. Children under 5 years old already travel for free on buses and don't need a card. In London, children under 5 travel free with a fare-paying adult and children aged 5-10 travel free on all the transport services with a Zip Oyster photocard. Supporting children and young people to use buses in England is not likely to happen on any substantial scale. In 2018, the then Transport Minister, Nusrat Ghani, said that there were no plans to implement a national bus concession for young people and this was reinforced by the national bus strategy for England in 2021 Bus Back Better, stating that people who are not disadvantaged will not be funded.

By 2022, 2.8 billion passenger journeys were made by local buses in England. Of those, 8.7 million were older and disabled concessionary travel passes (90% for older people and 10% for disabled people) and 555 million concessionary bus journeys. Across England, this figure breaks down as:

- 229 million in London
- 132 million in metropolitan areas
- 194 million in non-metropolitan areas

According to the National Travel Survey in 2022 (NTS 2022) for all age groups, females have shown a decline in bus trip trends over the years, whereas trends by males have been more stable. However, in 2021, on average, women made more local bus trips than men at 30 and 23 trips per person per year respectively.

Local bus services are particularly important for those without access to other forms of transport. According to the annual bus statistics, "in 2021, on average, people in households without access to a car made over 5 times as many local bus trips than those with access to a car (87 trips per person versus 15 trips per person respectively). Also, data from 2021 show that people in the lowest real income quintile made 44 local bus trips on average, more than any other income quintile, while those in the highest income quintile made the least (16 local bus trips on average).

Importance of a balance between subsidy to operators vs to people

It is important to have a balance between subsidy to operators vs to people. The importance for people lies in the age and economic situations of the passengers. For instance, bus services are used more by the young and those over the age of 70 and are used more in towns and cities.

For both males and females, those aged 17 to 20 made the most bus trips in 2022 with 92 and 105 trips per person respectively. In addition, women and girls are more reliant on public transport and active travel modes. Bus services are especially important because the bus network links neighbourhoods together and allows shorter-distance travel and multi-stop trips.

The importance of the subsidy to operators lies in maintaining services and the economic impact of the employment generated by the sector. Local bus operators in England employed an estimated 88,000 full-time equivalent staff, including maintenance and admin staff, as of March 2022. Stagecoach Group, for instance, employs around 23,000 people and operates bus, coach and tram services in the UK.

Also, better connectivity and access to transport options have an impact on the wider economy. In 2016, a study stated that the areas with better connectivity had lower levels of deprivation. A key finding from a report on violence against women and girls showed that both women and girls do not take up opportunities such as employment and training due to their limited transport options being limited.

Bus service description and subsidies received

Since the sector was deregulated in England (outside of London) in 1986, the majority of bus services are offered by private companies. Services may be run on a strictly commercial basis or may receive local government subsidies. London services are operated by private companies but regulated by Transport for London (TfL). Traditionally, central and local governments have provided support for local bus services as payments for supported services (DfT, 2021).
The three main sources of public subsidy to local bus operators are (DfT,2022):

1. Tendered routes – local authority pays a subsidy to an operator to run a service on a non-profitable route or time of day (e.g. to out-of-town hospitals on Sundays) – these are allocated via a tendering process, usually going to the lowest bidder.
2. Concessionary fares (concessionary travel reimbursement) – the traveller goes free and the operator is reimbursed by the government (so operators need to record how many concessionary travellers they carry); people over 60 years and disabled people get concessionary travel in off-peak times – Scotland extended it to young people but I'm not sure if England plans to do this.
3. Bus Service Operators Grant (BSOG) – fuel tax rebate.

Due to the COVID-19 Bus Service Support Grant (CBSSG) which ran from April 2020 to August 2021 and then the Bus Recovery Grant (BRG) introduced in September 2021 to keep services running that may have otherwise operated at a loss, or not operated at all.

Summary

Buses are good value for taxpayers' money. Local bus services are particularly important for those without access to other forms of transport, with those who do not have access to a car making around 25% of all of their travel by bus. Buses, are used more by the young and those over the age of 70 and are used more in towns and cities. Accessible and affordable bus services are very important.

In 2016, a study stated that the areas with better connectivity had lower levels of deprivation. Also, access to bus services allows people to access different services and for a wide range of reasons such as to commute to and from work, to get to and from school and college, to go shopping, visit the doctor, and for other social activities. In short, bus services are good for promoting inclusive economic growth.

Occupier Demand in the West Midlands

Charles Toogood, Principal and Managing Director for National Offices and Lease Advisory Team, Avison Young

Charles Toogood, Principal and Managing Director for National Offices and Lease Advisory Team, Avison Young, discusses factors impacting occupier demand in the West Midlands.

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.

Occupier demand quickly recovered post-pandemic, with the West Midlands and Birmingham showing encouraging demand for office space. Average annual take up in Birmingham post-pandemic totals some 670,000 sq ft, 20% lower than the pre-2020 five-year average.

This fall is a direct consequence of agile or remote working, with occupiers downsizing and typically taking 20 to 30% less space than previously. However, return to office is trending upwards with many occupiers mandating a 2 or 3 days-a-week minimum return.

In the drive to encourage staff back to the office for corporate culture, staff engagement, serendipity and productivity, occupier demand continues to focus on best-in-class accommodation, well served by on-site amenities including health and well-being facilities, coffee shops and concierge services more akin to the hotel market. Well-connected buildings close to transport modes demonstrate the highest demand, through the continuation of urbanisation and centralisation away from suburban office centres.

Post-Pandemic

Inward investor occupier activity has been more subdued post-pandemic, with the regional cities suffering as a consequence. Larger South East-based occupiers that historically may have sought locational resilience through partial regional relocations have in part been constrained by legacy lease events but are also unsure about their special requirements given the workforce's desire to work from home at least part of the week. With the exception of limited examples including Goldman Sachs, who recently committed to Birmingham ahead of Manchester for their software division, demand remains subdued and it remains to be seen when a recovery will occur. Automation, particularly in the banking sector, coupled with remote working has also seen many of the larger banks downsize their regional operations and this trend is set to continue.

Active sectors have been typically represented by the public sector, financial and professional services looking for best-in-class accommodation, and educational users alongside business services.

Demand

Across the UK, the flex office sector has been a significant driver of demand for office space since 2019. Birmingham and the Midlands are no exception and the countercyclical nature of the market, shows strong performance in subdued economic conditions, through occupiers' reluctance to sign up for longer lease commitments. Smaller occupiers requiring typically less than 5,000 sq ft continue to be attracted to the lifestyle offer and on-site amenity provision, without the need to fund expensive office fit-out. This trend towards flex space is forecast to continue, with many corporate occupiers predicted to have a third of their space in flex offices by 2030.

Sustainability
Demand for office space is also focused on sustainable buildings, that offer low carbon in construction and operation, with low energy and running costs. Sustainability is now in the top three search criteria for occupiers when looking for an office.

Build cost inflation has continued at a significant pace and whilst rental growth has been robust, it has not kept pace with build cost inflation. Market bifurcation has emerged, with strong demand for best-in-class space driving rental growth, with Birmingham seeing 20% growth in headline rents over the last 4 years, whereas less prime accommodation has seen nominal growth over the same period. This emergence of a two-tier market is likely to continue, until brand-new grade A 'super prime' accommodation declines in availability. At the time of writing, peak headline rents for central Birmingham are £41 per sq ft, with further growth anticipated over the course of the next three years, with Avison Young forecasting peak rents at £45 per sq ft by 2027.

Investments
In the property investment market, given the persistent inflationary indicators and interest rate rises over recent months, with higher borrowing costs and debt maturity on the horizon, capital values are continuing to fall with prime yields in Birmingham having moved out from 5% to 6% over the last 12 months. As interest rate rises stabilise, the bottom of the market and price transparency will emerge. Softening yields and higher borrowing costs are also impacting the scheme viability, with many development projects whether new or refurbishments being shelved until such time as the metrics including the flattening of build cost inflation start to improve. However, the current paralysis in activity will likely see an improvement in Quarter 2 of 2024.

A Stay of Execution: The Desperate Situation of the Hospitality Sector

Anne-Marie Simpson, Owner of Simpsons Gin Bar

1 in 18 licenced premises have been lost between June 2022 and June 2023. Anne-Marie Simpson, Owner of Simpsons Gin Bar, discusses her experiences as a business owner in tough economic times.

This article was written for the Birmingham Economic Review 2023.

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The position for the hospitality sector in 2023, is, without exaggeration, desperate. It is a well-cited fact, that 1 in 18 licenced premises have been lost between June 2022 and June 2023. Many businesses narrowly survived the trauma of the Covid pandemic with Government support.

Support

However, if we look at how the support actually manifests, assistance went directly to staff in the form of the furlough scheme (which also had a cost for the employer/business), in grants, which in our case had to be fully used to cover rent and therefore insulated shocks to landlords, and in loans to business, which created a debt legacy, we can see that survival may have been a stay of execution rather than long-lasting support to protect the hospitality industry.

These loans are now adding further pressure to the perfect storm of negative economics that we find our industry in. Labour shortages derived from the Brexit resource drain, consequent labour cost inflation from a reduced resource pool, direct energy price inflation, increased food prices and stock costs, together with the highest taxation climate seen, all serve to pressure the hospitality industry into potential oblivion.

In a healthier economy perhaps, costs could pass through to customers happy to pay for valued services and necessary leisure time, the point is of course – it isn't just a pressure on our industry, it's a pressure on our customers and therefore our income base.

Hospitality

In hospitality, we are feeling extreme pressure from both supply and demand side economics. In a climate of unprecedented levels of household energy bills and consequent soaring domestic food costs, tough choices are having to be made and the first thing to go from a pressurised household budget must be discretionary spending – on leisure and hospitality. This is real and happening now. The staggering series of bank rate increases mean further pressure on household costs compounding an already impossible situation for many.

In our own business, we have had to make some tough choices – we now open fewer hours than pre-pandemic, every staff wage has to generate income, weekday footfall has fallen to a level not seen previously and has meant that it can't cover costs, so we focus driving income on weekend trade. We have taken a deliberate decision to de-register for VAT and limit business turnover – it has been only marginally above the VAT ceiling for two years so in order to reduce our cost base burden this was a necessity. Our turnover is now half what it was for our first two years of trading. Only around 20% of our costs are VAT recoverable but we were paying 20% of 100% of turnover in VAT, which if left unaddressed, would have tipped the business over sooner.

Negatives

These ultimately are negatives for our whole economy. It just doesn't make sense from a growth perspective. This isn't healthy for business, the economy, or our High Streets. Hospitality is the lifeblood of Towns and Cities and brings colour, activity and confidence to investment, regeneration and local economic stability. Already the reduced retail presence on the High Street has impacted this – without a healthy leisure offer to provide alternative uses, places will die and degenerate. We are already seeing this in many towns and cities. We have long since given up any ability to take a salary from the business and must do more for nil return, just to maintain survival. This isn't infinite of course and tough choices on lease renewal or business closure will surely follow.

Our business

We are a small independent hospitality business; I fully accept that some of the larger international businesses may be better equipped for survival in the current climate but is this an industry structure that is good for UK PLC?

Traditionally, the hospitality industry has been structured with many small and medium-sized businesses forming the sectoral composition. We bring innovation, cultural diversity and interest to our places, without some deliberate attention to either support or creation of positive economic conditions for survival, we are in danger of a mono-culture of identity to every High Street at best and at worst, decline and all the community challenges and ultimate cost of reversal associated.

Forging Future Frontiers: The Power of Collaborative Clusters in the UK Space Sector

Chloe Billing, WM REDI

Chloe Billing discusses the Midlands Space Cluster project, which aims to propel the region's space capabilities forward and establish a dedicated cluster in the region.

The United Kingdom's space sector is experiencing a resurgence, marked by an era of rapid growth and groundbreaking innovation. At the recent UK Space Conference, it was stressed that this continued growth and success is dependent on the development and utilisation of regional space clusters. These clusters are vital for fostering a robust national ecosystem and providing a platform for continued national discoveries and achievements in the space sector. The Space Cluster Development Programme represents a cornerstone in steering this growth and is helping to fund 15 regional space clusters across the UK.

The clusters provide local support programs and platforms for knowledge sharing, collaborative opportunities, event access, and centralised guidance for space companies in exploring new sectors like financial services and agriculture. This diversification of the space industry's portfolio presents opportunities for collaboration between sectors and government entities, fostering substantial growth prospects.

Space-based applications are an enabling technology that 'touches' nearly every other industry. Therefore, an important role of the clusters is also to bridge opportunities and connect expertise across different sectors, creating an interconnected network and encouraging cross-sector collaborations. They are developing cross-sector proof of concept funds and collaborative approaches, highlighting the significance of breaking barriers and maximizing collaborative potential within these clusters.

Midlands Space Cluster

The Midlands Space Cluster project, facilitated by a £6.5 million funding allocation from the UK Space Agency, aims to propel the Midlands' space industry forward and establish a dedicated space cluster within the region. This initiative involves collaboration among key stakeholders from the Midlands Innovation Space Group, including the University of Leicester, University of Birmingham, University of Nottingham, Midlands Aerospace Alliance, and the Manufacturing Technology Centre (MTC).

It is follow-on funding from the 'Local Space Cluster Development Support Programme' that City-REDI led on the West Midlands Space Cluster in 2021. The decision to unite the growing cluster activities in both East and West Midlands will strengthen the region's space economy by harnessing the collective expertise of 900 academic, research, and technical staff.

City-REDI's role in the project

The foundation for nurturing these clusters lies in mapping existing expertise and identifying untapped market opportunities, laying the groundwork for a thriving ecosystem. City-REDI is a partner on the project and our work involves conducting a comprehensive review to evaluate the region's capabilities and assets concerning space activity. This assessment encompasses both business and research perspectives, aiming to identify and leverage existing assets for supporting inward investment activities in the Midlands. The review will also pinpoint areas where collaboration with other organisations or regions could enhance value or where additional investment might be necessary to facilitate future activities in the Midlands. These clusters don't operate in isolation; they synergize, sharing resources, knowledge, and expertise.

WMCA Mid-Year 2022 Population Estimates[7] Headlines

The Economic Intelligence Unit

- In 2022, there were over 2.95 million residents in the WMCA area. Since 2021, this was an increase of 1.2% (+35,565) for the WMCA area, above the national increase of 1.0%. When compared to 2017, the WMCA area has increased by 2.2% (+64,317) with the national increasing by 2.7%.

- In 2022, in the WMCA area, 33.7% (nearly 1 million) of the population were aged under 25 years old (England 29.1%).

Age Profile Mid-Year 2022:

	WMCA		England	
All Ages	**2,953,816**	**100.0%**	**57,106,398**	**100.0%**
Aged 0 to 15	625,253	21.2%	10,575,320	18.5%
Aged 16 to 24	370,612	12.5%	6,063,509	10.6%
Aged 25 to 49	980,999	33.2%	18,736,160	32.8%
Aged 50 to 64	517,126	17.5%	11,101,542	19.4%
Aged 65+	459,826	15.6%	10,629,867	18.6%

- Key components of change compared to 2021 for the WMCA area: there were 35,328 births and 27,114 deaths, meaning natural change (balance between births and deaths) of 8,214. Net internal migration was negative 29,331. There was 76,086 international in-migrations and 19,428 international out migrants meaning there was a net international migration of 56,658.

WMCA Key Components of Change between Mid-Year 2021 and Mid-Year 2022:

	Birmingham	Coventry	Dudley	Sandwell	Solihull	Walsall	Wolverhampton	WMCA
Estimated Population mid-2021	**1,143,285**	**344,151**	**323,591**	**341,895**	**216,677**	**284,392**	**264,260**	**2,918,251**
Births	14,674	4,030	3,432	4,288	2,072	3,489	3,343	35,328
Deaths	9,464	2,983	3,502	3,123	2,296	2,940	2,806	27,114
Births minus Deaths	5,210	1,047	-70	1,165	-224	549	537	8,214
Internal Migration Inflow	59,091	24,334	12,708	16,996	11,904	13,423	13,321	151,777
Internal Migration Outflow	75,125	31,427	12,806	20,214	12,046	14,726	14,764	181,108
Internal Migration Net	-16,034	-7,093	-98	-3,218	-142	-1,303	-1,443	-29,331
International Migration Inflow	32,657	21,634	2,441	6,922	2,051	3,844	6,537	76,086
International Migration Outflow	7,548	4,160	877	2,547	680	1,367	2,249	19,428
International Migration Net	25,109	17,474	1,564	4,375	1,371	2,477	4,288	56,658
Other	33	21	-18	-7	-4	-10	9	24
Estimated Population mid-2022	**1,157,603**	**355,600**	**324,969**	**344,210**	**217,678**	**286,105**	**267,651**	**2,953,816**

- Key components of change since 2017 (combining annual figures) for the WMCA area: there were 181,680 births and 133,866 deaths, meaning natural change (balance between births and deaths) of 47,814. Net internal migration was negative 112,946. There was 260,532 international in-migrations and 134,156 international out migrants meaning there was a net international migration of 126,376.

- The WMCA area has a high population density when compared to national. In 2022, the WMCA residents per sq. km was 3,276 compared to 438. This has increased from the 3,237 residents per sq. km since 2021 (England 434) and from the 3,205 residents per sq. km since 2017 (England 427).

[7] Source: Office for National Statistics (ONS), Population estimates for England and Wales: mid-2022, released November 2023

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

On the 7th December 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 1st December 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).

Online Job Adverts

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

Nationally, between the 24th November and 1st December 2023, total online job adverts decreased by 0.1%. On the 1st December 2023, total online job adverts were at 102.3% of their average level in February 2020. Out of the 28 categories (excluding unknown) 11 decreased; the largest weekly decrease was in "charity / voluntary", which fell by 13.7% (to 59.2% of the average level in February 2020, and was the lowest seen across all categories). While there were 17 categories that increased; the largest weekly increase was in "other / general", which rose by 10.0% (to 119.8% of the average level in February 2020). There were 17 categories that were below the February 2020 average level.

Between the 24th November and 1st December 2023, there was a mixed picture for online job adverts as there were declines in 4 regions, 1 region remained the same level and 7 increased. The West Midlands online job postings rose by 2.4% and on the 1st December 2023, it was at 106.1% of the average level in February 2020. On the 1st December 2023, there were 7 regions below their February 2020 levels.

Advanced Notification of Potential Redundancies

Calculated as a rolling four-week average, the number of potential redundancies in the week to 26th November 2023 was 27% above the level in the equivalent week of 2022. The number of employers proposing redundancies was 20% above the equivalent week of 2022.

System Average Price (SAP) of Gas

The National Gas Transmission, Elexon report that the SAP of gas in the week 3rd December 2023, there was a weekly decrease of 17%. When compared to the equivalent period in the previous year it was 68% lower. However, when compared to the pre-coronavirus baseline, the SAP of gas was 293% higher.

Business Insights and Conditions Survey

The final results from Wave 96 of the Business Insights and Conditions Survey (BICS) based off the 5,145 businesses surveyed across the West Midlands that businesses have a presence in with a response rate of 29.2% (1,504) and 3,155 businesses that are head quartered in the West Midlands, with a response rate of 27.6% (872). Please note, the survey reference period was 1st to 31st October 2023 with a survey live period of 13th to 26th November 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
34.5% of responding West Midlands businesses reported to exporting within the last 12 months, 3.2% reported to exporting over 12 months ago. While 46.8% 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.

48.2% of West Midlands businesses reported that exporting stayed the same in October 2023 when compared to October 2022. With 20.4% of West Midlands businesses reporting to have exported less and 14.2% reported to exporting more.

54.9% of West Midlands businesses reported that importing stayed the same in October 2023 when compared to same month in the previous year. 12.8% of West Midlands businesses reported to importing less and 11.0% reported to importing more.

Global Supply Disruption
4.8% of responding West Midlands businesses reported global supply chain disruption in October 2023. While 64.5% reported no disruption.

Redundancies
5.2% of responding West Midlands businesses expect to make redundancies over the next three months.

51.9% of West Midlands businesses are making redundancies to reduce staff cost.

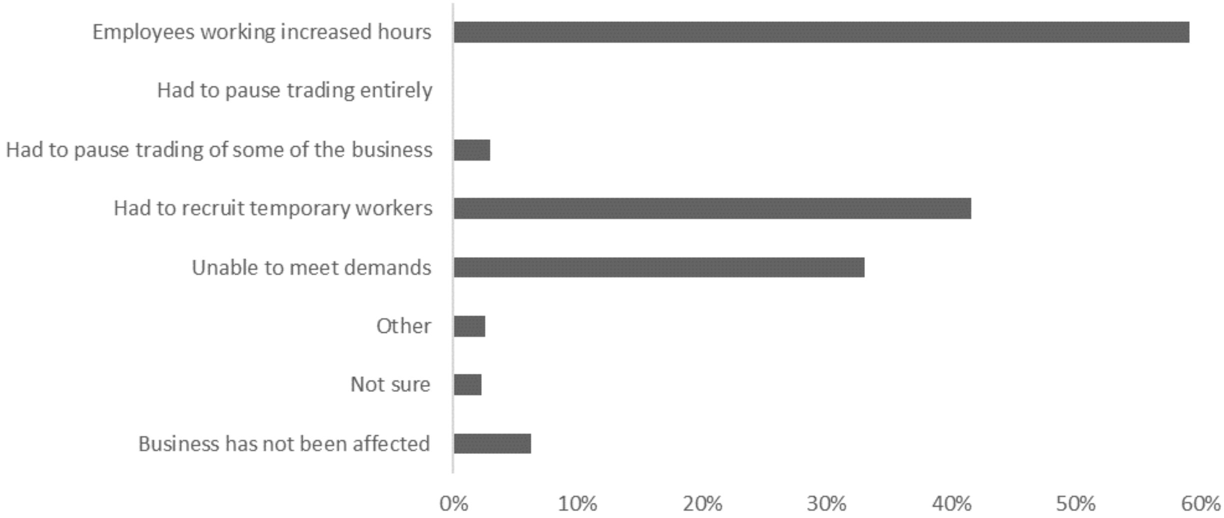
Reasons West Midlands businesses are making redundancies:

Hourly Wage
8.7% of responding West Midlands businesses reported on average, in October 2023 when compared to the previous month that employees hourly wage had increased, with 81.9% reporting wages stayed the same and 1.4% reporting a decrease.

Worker Shortages
20.3% of responding West Midlands businesses reported to experiencing a shortage of workers.

59.1% 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

3.3% of responding West Midlands businesses reported to have been affected by industrial action in October 2023. With 42.9% of the West Midlands workforce changing their working location due to industrial action in October 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 15th to 26th November 2023. Ahead of the 28th United Nations Climate Change Conference (COP28), questions were more related to climate change and how it impacted lifestyles.

Important Issues Facing the UK

Respondents felt the three main issues facing the UK were; the cost of living (89%), the NHS (87%) and the economy (74%). The fourth most important was climate change and the environment (61%), followed by crime (60%), housing (59%), immigration (54%) and international conflict (50%).

Changes to Lifestyles to Tackle Climate Change

8% reported they had made a lot of changes, 64% had made some changes, and 28% had made no changes.

Among those who had made a lot of or some changes to their lifestyle to tackle climate change, the most reported concerns that motivated them to do so were the effect on future generations (69%), loss of natural habitats or wildlife (66%), and the direct effects of climate change such as extreme weather events or rising sea levels on others (52%) or themselves (32%).

Among adults who had not made changes to their lifestyle, the most reported reasons for this were thinking the changes they make will have no effect on climate change (41%), thinking large polluters should change before individuals (34%) and finding it too expensive to make changes (30%).

Compared with last year's estimates (in the period 20th to 31st July 2022), among adults who had not made changes to their lifestyle, there was an increase in the proportion of those who thought the changes they make will have no effect on climate change (41%, compared with 32% in 2022), thought the effects of climate change are exaggerated (11%, compared with 4%), and reported they do not believe in climate change (7%, compared with 3%); these differences in sentiment may be influenced by an extreme heatwave in July 2022.

Headlines

SECTOR	KEY INSIGHTS
Cross Sector	**Outlook** - New forecasts from the Office for Budget Responsibility (OBR) predict that the **UK economy will grow more slowly than previously thought** – with real GDP growth slowing from 4.3% in 2022 to 0.6% this year and 0.7% next year. More positively, **inflation was confirmed to have fallen to 4.6%, and anticipated to drop to 2.8% by the end of 2024**. However, driven by high inflation and interest rates, living standards are forecast to be 3.5% lower in 2024-25 than their pre-pandemic level. - In line with the OBR forecasts published with the Autumn Statement, predictions for UK regions suggest sluggish growth in 2023 and 2024. - According to the latest (Autumn 2023) economic forecasts from the National Institute of Economic and Social Research (NIESR) , low economic growth is predicted for all devolved nations and English regions with the Midlands not reverting to pre-pandemic levels of GVA until 2025. **Only the West Midlands and the non-metropolitan parts of the South East are projected to have lower output at the end of 2024 than the end of 2019.** - NIESR also predict that **the Midlands will continue to lag behind other regions with regard to employment** (potentially reaching its pre pandemic level in late 2025) while also forecasting the Midlands to experience the most significant drop in productivity between the fourth quarters of 2019 and 2025. - This is likely to be in part due to the **West Midlands' reliance on more exposed and affected sectors** such as manufacturing, and their disproportionate impact of the major shocks in recent years. - More currently though, business confidence in the **West Midlands is above the national average according to the ICAEW,** rising a little in Q3 2023 (now standing at +10.6), in contrast to the national picture (which is +2.9). According to the survey, **regulatory requirements remain the most cited growing concern in the region.** Bank charges are another growing issue, reported by a larger share of companies in more than a decade. And while staff turnover is less widely cited as a growing challenge, it remains prevalent. - **Better than average performance in the region** has been reported by the latest NatWest Purchasing Managers Index (PMI) too, both for current business activity and future prospects. - However, the latest Business Confidence Barometer from Lloyds Bank suggests **West Midlands business confidence dropped in November**, and is at the fourth lowest level of all UK regions, reflecting the mixed picture across different surveys. - **Lower geographic level (ITL3) productivity scorecards have been published by The Productivity Institute, including for West Midlands areas.** This suggests that Birmingham, Dudley and Walsall are "falling behind" on productivity compared to the regional and national averages, while Solihull and Coventry are "losing ground", and Sandwell and Wolverhampton "catching up". **Trading Environment** - The government's **Autumn Statement was broadly well received** by business groups and the wider business community. Highlighting measures such as full expensing, planning reform and electricity grid upgrades, The British Chambers of Commerce said it **"gives hope to businesses",** while the **FSB praised welcome action on late payments, business rates and self-employed taxation.** - However, a survey has found that most **owners of micro businesses with less than 10 employees in the West Midlands feel overlooked and misunderstood when it comes to the right support from the Government**. According to the survey, 56 per cent of owners in West Midlands do not feel the Government understands their needs with 29 saying they have been neglected in favour of hand-outs to consumers and larger businesses. The survey found that **because of additional worries relating to higher inflation and interest rates, supply chain availability, difficulties over recruiting skilled staff and industry legislation, micro businesses are struggling to plan ahead.**

SECTOR	KEY INSIGHTS
	- **Deal activity in the Midlands has declined so far this year after a bumper 2022**, according to a new report by Experian Market IQ, against a backdrop of a UK-wide subdued M&A market. Volumes have fallen by about 22 per cent so far this year, and value has experienced a decline of 72 per cent from the highs of almost £20bn to £5.7bn. - 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).** - Furthermore, **profit warnings issued by listed companies in the Midlands are at their highest levels since Q4 2022,** according to new research from EY-Parthenon. EY-Parthenon's latest Profit Warnings report said that nine profit warnings were issued by UK-listed companies in the Midlands in Q3 2023, up from eight in Q2 2023. - 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. - The Scaleup Institute recently published their Annual Review for 2023. This reported that the **Black Country has 335 scaleups, equal to 29.3 scaleups per 100k of the population, Coventry and Warwickshire had 365 scaleups, equal to 38.7 scaleups per 100k of the population, and Greater Birmingham and Solihull had 720 scaleups, equal to 35 scaleups per 100k of the population**. As with the national picture, scaleups decreased in these localities when comparing 2020 with 2021, and since 2013 **the three WMCA areas highlighted are all in the bottom 5 of LEP areas for scaleup density growth / decline**. - From a dataset of 208,495 companies, a recent update of analysis in the Gender Index reports that there are **40,128 female-led companies in the 7-MET WMCA area. This represents 19.2% of all active regional businesses in the study, above the UK average of 18.3%.** This contributes to a strong performance by the wider West Midlands region overall for female-led proportion of all companies (2nd of all regions behind London); including a **6th ranked position for Wolverhampton across all UK local authorities.** - Local business support organisations have reported mixed feedback around the cost of materials and the impact of increases from firms in the region. Some businesses impacted by price rises, again in part due to the war in Ukraine, **have been able to successfully** pass costs on to their customers. On the flip side, there are **examples of customers not accepting increased pricing** and simply moving their business elsewhere. **Delivery lead times do remain an issue though, particularly for** the supply of **Aero grade materials**, such as **Cobalt, Nickel Alloys and Titanium**, made worse by the **conflict in Ukraine**, increasing from **12 weeks up to 80 weeks** for some of these high-grade materials. **Labour Market** - The latest KPMG and REC, UK Report on Jobs survey, compiled by S&P Global, pointed to a **second consecutive monthly increase in permanent placements in the Midlands, contrasting with the UK-wide trend.** Temporary billings were also up amid improving demand for staff and marked increases in candidate availability. Rates of pay inflation quickened from the previous survey period, but remained below-average. - Permanent placements rose in the Midlands for the second month running in November. **The rate of expansion was modest, but quickened from October.** Moreover, the Midlands was the only English region to record an expansion in permanent placements over the month. The decline in the UK was driven by a severe reduction in permanent placements in London. - Some respondents in the Midlands indicated that **good availability of candidates had contributed to the latest rise in placements.** - Although recruiters in the Midlands continued to record an increase in temporary billings midway through the final quarter of the year, the **rate of expansion was only marginal and the softest in the current six-month sequence of growth.** - **Pearson have produced a Skills Outlook report** to give a regional breakdown of the immediate needs of the modern workforce and to help employers adapt to technological change; this report provides localised insights into the West Midlands.

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

SECTOR	KEY INSIGHTS
	- The Institute for Fiscal Studies (IFS) recently produced a report on **the changing geography of jobs from 1993-2022**. The report discusses the profound changes seen across the labour market over this period, **including the 'hollowing out' of jobs in the middle of the pay distribution, rising demand for high-skilled worker, an expansion of higher education and an increase in both domestic and offshore outsourcing.** These trends have had significant implications on geographical inequalities. - The **Work Foundation has published a series of City Region Employment Profiles, including one for the West Midlands Combined Authority area.** - The number of green jobs advertised in the West Midlands has fallen from the record levels recorded in 2022, according to new research from PwC, but demand remains resilient. **There were 16,157 green opportunities advertised in the region in 2023, compared to just above 24,000 in 2022, a 32.8 per cent decrease**. However, **green jobs accounted for 2.1 per cent of total overall roles in the region in 2023, increasing slightly from 2.03 per cent in 2022.** - Local business support organisations have reported that many businesses are having to revise overall packages for retaining staff; that **increasing salaries alone is not enough to attract and retain staff.** Linked to this, **businesses continue to struggle with the lack of suitable people available**, including for both temporary and permanent roles across sectors.
Manufacturing and Engineering	• Manufacturers reported that **output volumes fell in the three months to November, disappointing expectations for expansion**, according to the CBI's latest Industrial Trends Survey. A more subdued outlook for production comes as order books fell to their weakest level since the second COVID-19 lockdown in early 2021. Both **total and export order books were reported as below normal in November**, to the greatest extent since January and February 2021 respectively. • As outlined in previous publications though, there is likely to be regional differences in performance; with **West Midlands manufacturing still relatively robust, in part due to the strong recovery in automotive: UK car manufacturing output went up 31.6% in October** with 91,521 units rolling out of factories. Also in the last yearly period, **manufacturing jobs increased according to ONS' Business Register and Employment Survey (BRES).** • Furthermore, industry has generally welcomed recent announcements by government to support the sector; for example through its new **Advanced Manufacturing Plan (including announcements for aerospace, automotive, life sciences and green industries) and Battery Strategy but also directly through the full expensing and skills / apprenticeships policies announced in the Autumn Statement.** And the latest MakeUK Manufacturing Outlook report (for Q4), reports a **surging of output and a rebound of recruitment prospects.**
Construction	• Monthly **construction output in the UK is estimated to have increased 0.4% in volume** terms in September 2023. This follows two consecutive falls in monthly construction output. While quarterly output increased 0.1%, coming solely from growth in September. • This came from an **increase in repair and maintenance (2.1%),** partially offset by a decrease in new work (0.8% fall) on the month. • Total **construction new orders increased 3.9% (£393 million) in Quarter 3 2023 compared with Quarter 2 2023**; this quarterly rise came mainly from public other new orders and infrastructure new orders, which increased 23.7% (£265 million) and 14.3% (204 million), respectively.
Retail, Hospitality and Tourism	• Official data on UK retail sales shows that they **fell to a two-year low in October 2023**. The volume of products sold fell by 0.3% to the lowest level since February 2021 when large parts of the UK were in Covid lockdowns. • Complementing this, **retail sales volumes fell year-on-year in November for the seventh consecutive month**, according to the latest quarterly CBI Distributive Trades Survey. Despite a slight uptick in sentiment, firms expect sales to decline again in December. • Retail sales volumes fell in the year to November, but at a slower pace than last month (weighted balance of -11% from -36% in the year to October). **Retailers expect an even slower decline in volumes next month (-6%).** • Retailers also reported a **reduction in headcount in the year to November**, while investment is set to decline in the year ahead. Price pressures in the sector are expected to remain acute. • There were mixed feelings from retail and hospitality related to the Autumn Statement; while on one hand the **business rates relief extension is welcomed**, The British Retail Consortium have claimed the **Statement is a "sell out" that risks forcing up the pace of price rises in shops again.**

SECTOR	KEY INSIGHTS
	• **Positively,** UK shop inflation eased to the lowest rate in more than a year in November as competition increased in the run-up to Christmas and food cost growth continued to fall, according to industry data.

New Economic Shocks

COMPANY	LOCATION	SECTOR	DETAIL
Colmore Tang Construction	Birmingham	Construction	Birmingham-based Colmore Tang Construction has entered voluntary liquidation. The firm, which was facing a winding up petition from HMRC, has appointed insolvency firm RP Pendle to wind the company down.

New Investment, Deals and Opportunities

COMPANY	LOCATION	SECTOR	DETAIL
University of Warwick	Coventry	Universities	The University of Warwick has secured a £12m grant from the Faraday Battery Challenge to enhance its production of essential materials for electric car batteries. This funding will support the creation of the advanced materials battery industrialisation centre (AMBIC) by the High Value Manufacturing Catapult at Warwick Manufacturing Group and CPI at Netpark in County Durham.
Octopus Energy	Coventry	Energy	Energy supplier Octopus Energy is set to open an office in Coventry at Two Friargate in the city centre. The deal with Coventry City Council involves Octopus occupying more than 10,000 sq ft of space on one floor of the building. This move includes relocating 150 staff from the company's Leamington office, with the occupation of Two Friargate expected by February 2024.
Aurrigo International	Coventry	Autonomous Vehicles	Aurrigo International, the Coventry-based company makes autonomous vehicles, has signed a deal with the Digital Testbed Cargo Project Consortium (DTAC) to deploy the company's Auto-DollyTug at Stuttgart Airport for autonomous cargo transport trials from the terminal to the deck of an aircraft.
Hexaware Technologies	Birmingham	IT and Digital	Hexaware Technologies, an Indian-owned global IT and digital solutions provider, has started the next phase of its UK expansion with a new facility in Birmingham, aiming to create 250 jobs.
Mailbox Birmingham	Birmingham	Property	The Mailbox is set to be put on the market following a challenging period where dividends were suspended and its value dropped. Comprising 1.07m sq ft of space, the Birmingham landmark building owned by Mailbox REIT is looking for bids in excess of £120m.
Hoodrich	Birmingham	Fashion	Birmingham-born streetwear brand HOODRICH has been acquired by a major brand management consultancy Iconix International, following a meteoric rise. Founded by Jay Williams in 2014, Williams sold his first thirty t-shirts from the boot of his car and worked independently for three years, before attracting attention from Foot Asylum.
Mills & Reeve	Birmingham	Law	Mills & Reeve has announced it will be taking the fourth and half of the fifth floor of One Centenary Way, at landmark development Paradise. The law firm will take 32,000 sq ft next summer, moving more than 300 staff from its current Colmore Row office, where it has spent the last 18 years.
Holman	Solihull	Automotive	Global automotive company, Holman, has announced its new office at Birmingham Business Park in Solihull. This additional site, alongside its existing headquarters in Chippenham, has generated

COMPANY	LOCATION	SECTOR	DETAIL
			100 new jobs in the West Midlands, increasing its workforce to more than 300 employees.
Rem3dy Health	Birmingham	Health / med-tech	Fast-growing health brand Rem3dy Health has announced its expansion into Europe after heritage pharmaceutical enterprise UPSA acquired a stake in the business.
Coventry University	Coventry	Engineering	Coventry University's Institute for Advanced Manufacturing and Engineering (AME), the UK's first 'Faculty on the Factory Floor,' has revealed a £6m expansion aimed at advancing the industry towards a clean, sustainable, and digital future.
Alloy Wire International	Brierley Hill	Manufacturing	A Black Country manufacturer of round, flat and profile wire said it is on track for a record year less than 12 months since its management buyout (MBO). Sales have jumped by £3m at Alloy Wire International since the deal was completed in January, taking turnover to £18m with the prospect of it breaking £20m in 2024.
Guest Motor Group	Wolverhampton	Engineering	Guest Motor Group has opened its latest development, a 28,000 sq ft facility in Bushbury, Wolverhampton. Guest Truck and Van represents a £4 million investment that has transformed a once abandoned site.
Robert Irving Burns	Wolverhampton	Property	The landmark Beatties store site in Wolverhampton city centre has gone on the market for £7.5 million. The iconic former Beatties department store in Victoria Street, is set in a designated regeneration zone. The site is 376,636 sq ft and includes a multi-storey car park. It has existing planning permission for more than 400 residential units.
DX	Willenhall / Tipton	Logistics / Transport	Deliveries group DX, which has sites in Willenhall and Tipton, is being taken over by a private equity investment firm. The board of DX has agreed to the acquisition by a subsidiary of funds advised or managed by HIG Capital of the entire share capital.
Jhoots Pharmacy	Walsall	Pharmacies	Walsall health business Jhoots Pharmacy has bought 36 community pharmacies with support from HSBC UK. The deal is expected to protect 212 jobs and create up to 130 new roles across the UK.
Bond Wolfe	Walsall	Retail Property	Commercial property agents Bond Wolfe are currently marketing an entire shopping centre in Walsall, known as Gillity Shopping Village, with space for potential development. The combined asking price for the property, situated on 1.76 acres on Liskeard Road, is £3.265m.

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

Disclaimer: The contents of this document are based on the latest data available and the contribution of regional partners in a fast paced environment, therefore we urge caution in its use and application
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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