

Economic Growth Board

Date	Wednesday 12 th July 2023
Report Title	Economic Conditions in the West Midlands
Portfolio lead	Portfolio Holder for Economy and Innovation
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority
Accountable Employee	Ed Cox, Executive Director for Strategy, Integration & Net Zero.
Report has been considered by	

Recommendations for action or decision:

- a) To note current economic conditions for the West Midlands, including the monthly dashboard (Appendix 1) and insight from the region's businesses via the Business Insights Forum.

1 Purpose

- 1.1 To support the Economic Growth Board's decision-making by providing a summary of latest quantitative economic and regional labour market intelligence and qualitative insight from West Midlands businesses via the Regional Business Council and the WM Business Insight Forum.

2 Current regional economic conditions

Economic Intelligence Unit – West Midlands Economic Dashboard June 2023.

- 2.1 The West Midlands' Economic Dashboard is attached as Appendix 1. Compiled by the Economic Intelligence Unit, it summarises headline data covering business, place, the economy, and people in the West Midlands. Some highlights of the latest edition include:
- The **West Midlands Business Activity Index** increased from 52.8 in April 2023 to 54.2 in May 2023, the strongest increase seen since April 2022. Business activity growth was linked to better sales, capacity growth, favourable demand conditions and publicity.
 - The **West Midlands Future Business Activity Index** increased from 76.5 in April 2023 to 78.5 in May 2023. The latest reading is at a 16-month high. Optimism in West Midlands firms for the upcoming 12 months was linked to poor competitor performance, new clients, advertising, expanded capacities and investment in technology.
 - On latest **labour market numbers**, the move out of inactivity is leading to both higher employment and unemployment, though there are different methods and different timescales for the two sets of data. There were 126,240 claimants in the WMCA area in

May 2023. Since April 2023, there has been a decrease of 0.9% (-1,085) claimants in the WMCA area, while the UK decreased by 2.2%. When compared to March 2020 (pre-Coronavirus pandemic), claimants have increased by 27.1% (+26,940) in the WMCA area, with the UK increasing by 22.1%.

- There were 22,950 **youth claimants in the WMCA** (7 Met.) area in May 2023. Since April 2023, there was an increase of 0.02% (+5) youth claimants in the WMCA area, while the UK decreased by 1.7%. When compared to March 2020 (pre-Coronavirus pandemic), youth claimants have increased by 19.8% (+3,795) in the WMCA area, with the UK increasing by 11.3%.
- The latest revised figures show that **payrolled employees in the WM 7 Met.** area shows four consecutive months of growth. There were 1.23m payrolled employees in the WM 7 Met. area in May 2023. When compared to March 2020 payrolled employees were 5.1% higher (+59,199) in the WM 7 Met. area – above the UK growth of 3.8%.
- On exports – the latest export levels (£31.6bn in the year to Q1-2023) is very similar to the record level pre-pandemic (to year to Q1-2020). Within that, Europe remains the most significant market (45%, down 1 percentage point from 2020), with marginal increases in exports to the US (now 23%) and Asia (now 19%).

2.2 Economic data continues to be extremely volatile. The UK is seeing significant expansionary pressures from workers, businesses, consumers and government. While the Bank of England has increased interest rates sharply to temper demand, it isn't yet clear how that will reshape the real economy. In terms of policy implications for the Economic Growth Board, the opportunity is to use changes in the behaviour and incentives to businesses and workers to improve productivity, where persistently low levels of investment mean UK/West Midlands productivity has grown slower than peers in competitor international economies.

West Midlands Regional Economic Development Institute Monitor

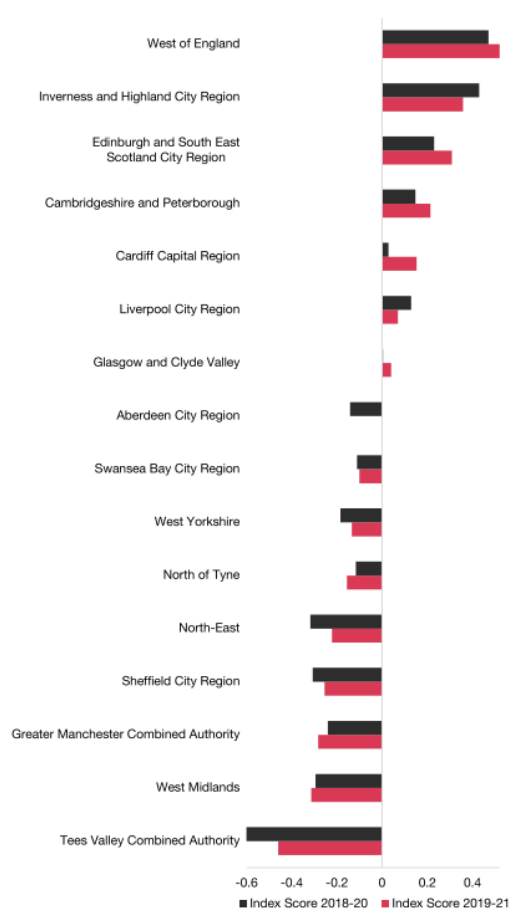
2.3 The West Midlands Regional Economic Development Institute (WM REDI) produces a monthly Monitor¹ which pulls together information across regional partners and beyond. The Monitor now includes a deep dive into data relating to a cluster from the West Midlands Plan for Growth. At the time of writing, the latest edition was published on the 9th June 2023.

- **MedTech and HealthTech in the West Midlands:** The West Midlands life sciences economy contributes £10.3 billion to the region's economy, employing around 17,000 healthcare professionals, 9,600 MedTech specialists, 4,000 bio-pharma workers and 3,000 medical device experts. With four university-based medical schools at Warwick, Aston, Birmingham and Wolverhampton, the region produces 11,000 medical science graduates every year. This is boosted by 87,000 STEM students, 22,000 of which have skills specifically aligned to healthcare and data-driven research. With residents from 190 countries, the region's talent pool is also highly diverse, multicultural, and multilingual. There are over 600 healthcare and life sciences businesses in the West Midlands area. The West Midlands has key strengths in Diagnostics, Digital Health and Medical Devices – all driven by access to digitised patient data and highly advanced technologies – the region has additional expertise in specialist health disciplines including cell & gene therapy, genomics and clinical trials.

¹ <https://blog.bham.ac.uk/cityredi/west-midlands-economic-impact-monitor-9th-june-2023/>

- Demos-PwC Good Growth Cities:** This report looks at what matters to people across a range of measures (including jobs, income, health, skills, work-life balance, housing, transport and the environment). It found that people in the West Midlands place the highest weighing on health and the second highest weighting on employment rates, with the second lowest weighting placed on income distribution. Aside from these three variables, the West Midlands aligns fairly closely with national average weightings. The West Midlands exposure to economic headwinds during the pandemic, EU exit and energy shocks have been captured in the 2022 index analysis:

2022 Good Growth index score by Combined Authority area



- Federation of Small Businesses (FSB) West Midlands Quarterly Small Businesses Index Q1 2023:** Research by the FSB shows that confidence levels amongst West Midlands Small Business owners is at its highest level for a year and ahead of the UK average. Key findings include:
 - On revenue generation, the position has moved from negative to neutral, with 34% of firms now reporting an increase, the same number as reporting a decrease. Meanwhile the outlook for future profits is really positive, with almost twice the number of respondents expecting an increase (41%) than expect a decline (22%).
 - Half (50%) of SMEs expect to grow in the next 12 months, compared to just 1 in 20 (5%) who expect to downsize, sell or close their business. Plus, marginally more expect to increase capital investment in their business (21%) than expect to decrease it (17%) during the coming quarter.

- It's a slightly more mixed picture for employment and wage growth. For while the overwhelming majority of firms (81%) reported that staff levels had remained unchanged, more than 1 in 10 (12%) had reduced employee numbers and only 1 in 20 (5%) had increased them.
- The greatest perceived barriers to growth over the next year remain the general economic conditions in the UK (73%), followed by rising utility costs (38%) and increasing labour costs (27%).

Direct insight from businesses and business groups

WM Business Insight Forum

2.4 In April the Economic Impact Group evolved to the WM Business Insight Forum. Meeting monthly, the group includes a broad base of business representative groups and partners, focused on the WM Plan for Growth and providing real-time feedback about key barriers faced by businesses in the region. Recent highlights include:

Updates on the clusters from the WM Plan for Growth: Each meeting has included an update on activity within a single cluster, with “Manufacturing of Electric Light Vehicles”, “Creative Content Production and Gaming” and “Healthtech and Medtech” covered in the last three months. These have shared information about cluster priorities, work undertaken/underway to support the development of the cluster and connections with supply-side interventions such as upskilling the workforce and innovation. Perhaps most importantly, these updates have also helped clusters highlight ongoing pressures, such as supply chain issues, wages, and skills shortages.

WM5G: deliveries in 2022-2023 and priorities for 2023: The WM BIF received an overview of how 5G coverage and connectivity had improved over the course of the year and the number of SME’s adopting digital technology into their businesses in the West Midlands. The update concluded on the priorities for the following year which were supporting the creation and delivery of the WMCA digital roadmap, continuing to increase the 5G coverage in the West Midlands, and supporting the development of medical and health technology.

WM Tech Commissioner: Members were introduced to the newly appointed WM Tech Commissioner. The Tech Commissioner advised that their priorities for the role related to supporting tech-centric businesses and their associated ecosystem, increasing productivity for non-tech-centric businesses and finally the digital transformation of the public sector.

Regional Business Council

2.5 The Regional Business Council on 9th March 2023 covered:

- Progress against the West Midlands Devolution Deal, its implications for the West Midlands Combined Authority, and benefits for the region.
- Investment readiness of SMEs in the West Midlands and what sort of products could be produced to help boost scaling up SMEs in the region.
- Insights about consumer activity across the various sectors covered by business council members. The general consensus was that consumers were cutting back on non-essentials rather than dip into savings.
- Impact of major events on West Midlands economy, including the Montreal COP15 and MIPIM 2023.

2.6 The Regional Business Council on the 11th May 2023 covered:

- The final position on the West Midlands Devolution Deal, worth around £1.5bn to the region through a mix of short- and longer-term funding.
- The region's Investment Prospectus 2023 was launched at UKREIIF 2023 for investible opportunities with a gross development value of £20bn.
- A roundtable about private sector investment appetite in the West Midlands in the aftermath of the collapse of Silicon Valley Bank and Credit Suisse in March 2023. It was concluded that appetite largely depended on the sector but in general investors were still open for the right asset class and credit.
- The meeting concluded with a presentation on workstream related to bringing major events to the West Midlands, led by the West Midlands Growth Company. Members were keen to support this programme in whatever way they could.

4 Financial Implications

- 4.1 There are no financial implications arising from this report.

5. Legal Implications

- 5.1 There are no legal implications arising from this report.

6. Equalities Implications

- 6.1 There are no immediate equalities implications arising from this report.

7. Inclusive Growth Implications

- 7.1 Presentation of up to date and current data on the state of the West Midlands economy, workforce and population will allow EGB to recommend and agree actions to address inclusive growth needs.

8. Geographical Area of Report's Implications

- 8.1 The report refers to data across different economic geographies, as described in the report.

8. Other implications

- 8.1 None.