



## Economic Growth Board

<b>Date</b>	22 September 2023
<b>Report Title</b>	Economic Conditions in the West Midlands
<b>Portfolio lead</b>	Economy & Innovation
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### Recommendations for action or decision:

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

### 1 Purpose of Report

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

- The **West Midlands Future Business Activity** Index increased from 74.4 in June 2023 to 76.8 in July 2023. Optimism in West Midlands firms was linked to planned investment in staff and systems, expected gains in market shares and hopes that inflation would retreat.
- The number of **business deaths in the WMCA** area in Q2 2023 was 3,500. This figure is 16.5% lower than the number of business deaths in Q2 2022 reflecting a considerable (and positive) fall in business closures in the region, from recent highs. Quarter on quarter analysis (between Q2 2023 and Q1 2023) shows a 36.2% decrease in business deaths across the WMCA area (UK -21.0%).
- There were 126,125 **claimants in the WMCA** area in July 2023. Since June 2023, there has been an increase of 1.5% (+1,900) claimants in the WMCA area, while the UK increased by 1.8%. When compared to March 2020 (pre-Coronavirus pandemic), claimants have increased by 27.0% (+26,825) in the WMCA area, with the UK increasing by 23.3%.
- In July 2023, there were 23,315 **youth claimants in the WMCA** area. Since June 2023, there was an increase of 2.0% (+460) youth claimants in the WMCA area, while the UK increased by 2.2%. When compared to March 2020 (pre-Coronavirus pandemic), youth claimants have increased by 21.7% (+4,160) in the WMCA area, with the UK increasing by 12.9%.
- The latest (provisional) figures show that the growth rate in **payrolled employees for the WM 7 Met. area** has slightly eased (+0.5% vs +0.6% UK). There were over 1.24m payrolled employees in the WM 7 Met. area in July 2023. When compared to March 2020 payrolled employees were 6.4% higher (+74,448 in the WM 7 Met. area – above the UK growth of 5.1%).

2.2 The regional economic landscape provides a mixed picture of small victories and continued hardship for the economy and businesses in the West Midlands. On one hand, there is cause for celebration as we see a growth mark above 50 for the sixth month in a row (albeit slightly lower than the month prior), increased businesses confidence and a significant decline in business deaths in the WMCA between Q2 2022 and Q2 2023. However, there continues to be a tight labour market, expansionary pressures from workers, businesses, consumers and the government. Likewise, inflation has begun to fall but as of June 2023, remains at around 7.9% higher than the previous year, which is well above the Bank of England target of 2%.<sup>1</sup>

#### *West Midlands Regional Economic Development Institute Monitor*

2.3 The West Midlands Regional Economic Development Institute (WM REDI) produces a monthly Monitor<sup>2</sup> 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 3 August 2023.

<sup>1</sup> <https://www.bankofengland.co.uk/monetary-policy-report/2023/august-2023>

<sup>2</sup> <https://blog.bham.ac.uk/cityredi/west-midlands-economic-impact-monitor-3-august-2023/>

- **Logistics and Distribution in the West Midlands:** The West Midlands is strategically placed to support the logistics and distribution sector for the UK, given that it is within a 4-hour drive of 40% of the population, with easy access via the M1, M6 and M42 motorways. Therefore, it is unsurprising that the number of logistics and transportation businesses grew by 196% between 2019 and 2022. The WMCA area is located alongside strong road and rail transport links, as well as having one of the largest airports in the UK, Birmingham Airport, making it well-located for logistics, transport and distribution businesses. The WMCA area can increase market share and productive capacity by providing high-quality infrastructure and improving connectivity.
- **The Greater Birmingham Chamber of Commerce (GBCC) Quarterly Business Report for Q2 of 2023<sup>3</sup>:** The report by the GBCC described how the score for domestic sales had risen by 2 points, which was the second consecutive quarterly increase since a sustained fall throughout 2022. Firms reported an uptick in domestic sales, increasing from 46% in Q1 to 50% in 2022. Likewise, the export sales balance score rose by 11 points this quarter to reach 62- the highest figure recorded since Q4 2018. The balance scores for turnover and profitability have continued their upwards trajectory as business confidence continues to build despite the broader economic uncertainty locally and nationally.
- **West Midlands FDI<sup>4</sup>:** The WMCA has ranked top for foreign investment, seeing the highest growth in the UK, according to the West Midlands Growth Company. The West Midlands is the UK's leading regional location for FDI, seeing its highest performance on record and more projects than Scotland and Wales combined. The region sees the greatest growth in FDI projects in UK, surpassing London and outstripping the national average by fivefold. The region bucks the national trend, with FDI employment rising by 48% vs a UK decline.

2.4 The logistics and distribution sector continue to be one of the eight primary clusters identified in the West Midlands Plan for Growth, and the data presented in the WM REDI monitor indicates that supporting the cluster will enable the West Midlands to return to being the fastest growing region outside of London, as was the case prior to 2020.

### **Direct Insight from business and business groups**

#### **WM Business Insight Forum**

2.5 In April 2023, 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 items include:

<sup>3</sup> [https://issuu.com/greaterbirminghamchamberofcommerce/docs/qbr\\_q2\\_2023\\_website\\_final?fr=sMmVknZU2MzE00DY](https://issuu.com/greaterbirminghamchamberofcommerce/docs/qbr_q2_2023_website_final?fr=sMmVknZU2MzE00DY)

<sup>4</sup> <https://wmgrowth.com/article/west-midlands-tops-regional-rankings-for-foreign-investment-and-sees-highest-growth-in-the-uk>

**Update on clusters from the WM Plan for Growth:** Since the last Economic Conditions report to the EGB, the WM Business Insight Forum has received an update on the Aerospace (including manufacturing of alternative fuels) cluster by the Midlands Aerospace Alliance. The presentation described what the cluster was, where some of the strategic organisations and facilities were based, but most importantly, what the risks were for the cluster on the short and long term. For example, some short-term risks for the cluster related to material shortage and inflation, severe recruitment issues caused by trade frictions with Europe and mass redundancies during 2020 and 2021 due to the COVID-19 pandemic. All this, accompanied by competition from other countries with better business environment. On the long term, some barriers for growth were identified as market failure to invest in new technology, institutional failure of UK publicly funded aerospace ecosystem to support Tier 1 companies and entire lower supply chains, compared to other countries which did invest in public-private collaborative R&D.

**Employment Land Report:** The Coventry & Warwickshire Chamber of Commerce (CWCC) produced a report called the Employment Land Report<sup>5</sup>, in which they argue that there is a lack of provision of adequate and affordable space for companies of all sizes and sectors to expand in Coventry and Warwickshire, and in turn is causing a lag in the local economy and preventing the creation of new jobs. The CWCC argue that this will also likely result in a reduction of inward investment and an exodus of companies moving to other regions unless more land is made available to support businesses in the region.

### **WM Regional Business Council**

- 2.6 At the WM Regional Business Council on the 7 September 2023 members discussed the recent announcement of the Section 114 notice for Birmingham City Council. Members considered what the potential implications could be for businesses, the economy, and the investment appetite from international investors for the West Midlands. Lord Dominic Johnson, Minister of State in the Department for Business and Trade, joined the meeting to explore how he and his department could support bringing investment into the West Midlands. Members were keen to hear about the different types of inward investment support available across the Government to help businesses of all sizes and sectors to scale up. Lord Johnson outlined some of the products available in the Office for Investment and the British Business Bank and reiterated his support for helping businesses in the region thrive. After this, members received an item on the Good Jobs Report from Regenerate, which emphasised employing people from marginalised backgrounds in an effort to meet labour market demands.

### **3 Financial Implications**

- 3.1 There are no direct legal implications arising from this report.

### **4 Legal Implications**

- 4.1 There are no direct legal implications arising from this report.

### **5 Equalities Implications**

- 5.1 There are no direct equalities implications arising from this report.

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<sup>5</sup> <https://www.cw-chamber.co.uk/about-us/policy-campaigns/employment-land-report/>

## **6 Inclusive Growth Implications**

- 6.1 There are no direct inclusive growth implications, but the review is an opportunity to embed inclusive growth priorities in the commissioning of the WMGC.

## **7 Geographical Area of Report's Implications**

- 7.1 The report refers to the West Midlands core economic area comprising Coventry and Warwickshire, Sandwell, Dudley, Walsall, Wolverhampton, Birmingham and Solihull.

## **8 Schedule of Background reports**

- 8.1 Appendix 1 – WMCA Economic Dashboard August 2023