

Economic Growth Board

Date	<i>25 January 2024</i>
Report title	<i>West Midlands Economic Conditions</i>
Portfolio Lead	<i>Councillor Stephen Simpkins</i>
Accountable Chief Executive	<i>Laura Shoaf, Chief Executive, West Midlands Combined Authority Email: Laura.Shoaf@wmca.org.uk</i>
Accountable Employee	<i>Ed Cox, Executive Director Strategy, Economy & Net Zero, West Midlands Combined Authority Email: Ed.Cox@wmca.org.uk</i>
Report has been considered by	<i>n/a</i>

Recommendation(s) for action or decision:

Economic Growth Board is recommended to:

(1) To note current economic conditions for the West Midlands.

1 Purpose of Report

1.1 To ensure that Economic Growth Board's (EGB) has the latest data relating to the wider performance of the West Midlands Economy as reported in the WMCA's new West Midlands Insights on Society and Economy (WISE) Newsletter as well as qualitative insights from the WM Business Insight Forum and the WM Regional Business Council.

2 Background

2.1 The Research, Intelligence, and Inclusive Growth team at the WMCA have created the WISE Newsletter, which brings together various forms of quantitative information detailing the region's economy. This includes the WM Economy Dashboard and information from the WM Redi Monitor which

previously formed part of the WM Economic Conditions report in earlier Economic Growth Board meetings. This will allow members of the Economic Growth Board to understand the context in which they are making decisions and for partners to have a consistent view of the economy. The WISE Newsletter is being published monthly. The latest headlines of the January edition is at appendix 1. The previous editions are available via: www.wmca.org.uk/wise.

3. West Midlands Insights on Society and Economy (WISE) – January 2024

3.1 The WISE newsletter brings together information previously provided in the West Midlands' Economic Dashboard and West Midlands Regional Economic Development Institute (WM REDI) monthly Monitor and combined it with additional sources of insight and intelligence across the WMCA and the wider research system. Current and back issues of the headline & in-depth reports and dashboard are available at www.wmca.org.uk/wise. Further to this, it reports other national and regional updates of importance to the region. Each edition has a guest editor, with January 2024 being Robert Franks, Managing Director of WM5G. The key items to note from the January 2024 WISE are:

3.2 National headlines

- **Inflation in the UK** fell to 3.9% in November 2023, which was lower than anticipated by many pundits. With this new information, forecasters are now anticipating Bank base rates to start to fall by May 2024, ending next year closer to 3.75%. Base rates coming down faster will help to boost the stagnant economy. As a large exporter of goods, falling interest rates should help the West Midlands by putting downward pressure on the value of the pound, making our prices more competitive.
- **UK Economy:** The [ONS announced](#) UK economy shrank by 0.3% in October 2023. This followed 0.2% growth in September, and in line with a Bank of England prediction of a flat growth rate for the end of 2023 and into 2024.

Provisional Local Government Finance Settlement 2024-2025: The UK government has unveiled a £64 billion funding package for English councils in 2024-25, marking a 6.5% rise from the previous year. This includes an additional £1bn for social care. Councils can increase council tax by up to 3%, with an extra 2% for adult social care. But there will be an extension to the Funding Guarantee to ensure every council sees at least a 3% increase in Core Spending Power before any council tax decisions locally.

3.3 Regional headlines

- **Continued Growth in Regional Manufacturing Exports:** In the year ending September 2023, the West Midlands region exported £34.1bn worth of goods and imported £42.7bn. This represents a trade in goods deficit of £8.5bn, a decrease from the trade deficit in the previous year of £13.0bn. Since September 2022, the West Midlands region goods exports increased

by 22.0%, while the UK as a whole increased by just 2.7%. Notably, the West Midlands region had the highest annual percentage increase of all regions in the UK. Longer-term trends show the West Midlands exports are now at their highest since records were made publicly available in 2014. The region accounted for 9.2% of UK exports – fourth highest after the South East, London and Scotland.

- **West Midlands Universities:** The third national Knowledge Exchange Framework (KEF) highlights West Midlands universities, including Aston, Birmingham, and Warwick, as top performers in business collaboration and research commercialization. These universities excel in fostering 'spin-out' businesses and driving economic growth. Initiatives like the Universities as Drivers of Trade and Investment aim to boost overseas investment in regional research & development (R&D). Midlands Mindforge Ltd., a capital investment firm, amplifies commercialization of innovative university technologies. The KEF once again spotlights the attractiveness of the West Midlands as a place in which to invest in R&D.
- **Labour force headlines:**
 - Median Pay: In November, median monthly pay rose by 5.3% nationally compared with the same period in 2022. In the WMCA area, median pay rose by 5.7% over the same period. Adjusting for inflation, this is a real median pay increase of 1.8% in our region.
 - Jobs: In September 2023, the top three sectors for workforce jobs in the West Midlands region were human health & social work (13.6% of total jobs), wholesale & retail trade (13.5%) and manufacturing (10.4%).
 - Youth Claimant count: Latest data showed the youth claimant count rose by 11.9% in the WMCA area on the year to November 2022 (UK: 8.1%). The number of youth claimants as a proportion of residents aged 18-24 was 8.5% compared to 5.0% for the UK in October. Across the Combined Authorities, the WMCA had the highest rate, Tees Valley was the second highest at 8.0% down to 2.5% for the West of England.

4 Direct insights from businesses and business groups

4.1 Since the last Economic Growth Board meeting, some of the topics explored by the WM Business Insight Forum included:

- **Autumn Statement 2023:** Members expressed a variety of views regarding the Autumn Statement 2023. Some members welcomed the announcement that a full expensing scheme would be made permanent, which would allow companies to claim corporation tax relief on 100% of the costs of investments they make. Likewise, the announcement around the reduction of employee national insurance contributions and class 4 national insurance contributions for self-employed were welcomed. Members commented that this would likely result in investor confidence for the region. Members noted that the business rates still disproportionately affected manufacturing companies due to their size, and that the increase in National Living Wage would increase would

create additional pressures to SME's. Members were also concerned about the lack of reference to health and social care, as well as the lack of skill planning for investment zones.

- **West Midlands Business Commission:** The Forum received an overview of the recently announced West Midlands Business Commission, which is being led by three Chambers of Commerce in the region, alongside several private sector partners. Members heard how the Commission will provide a roadmap for unlocking business growth across the region. The update included a timeline of activity over the next year as well as opportunities to get involved with Commission.
- **WMCA energy collaboration agreement with SSE Energy Solutions:** The Forum received an overview of the new partnership between the WMCA and SSE which will see them work together on new clean energy projects across the region. Likewise, members heard about the pipeline of activity that SSE had planned for the region across the renewable energy and low carbon space.

4.2 Since the last Economic Growth Board meeting, some of topics explored by the WM Regional Business Council has included a discussion surrounding the priorities of HM Government ahead of the Autumn Statement, an update on the work around HS2 and the Midlands Rail Hub, and finally an update on the financial position of the Birmingham City Council following on from their Section 114 notice.

5 Financial Implications

5.1 There are no direct financial implications arising from this report. Should there be any future investment then that would need to follow the WMCA governance routes to ensure alignment with strategic direction and represent value for money.

6 Legal Implications

6.1 The *Local Democracy, Economic Development and Construction Act 2009 Section 69(1)* states that a “principal local authority in England must prepare an assessment of the economic conditions of its area”. This applies to the WMCA under the *West Midlands Combined Authority Order 2016 Schedule 3(4)* which states that “The duty under section 69 of the 2009 Act (duty to prepare an assessment of economic conditions)” applies as one of the WMCA’s economic development and regeneration functions.

6.2 The West Midlands Combined Authority primarily fulfils this duty through its monthly *West Midlands Insights on Society and Economy (WISE)* newsletter and dashboard (wmca.org.uk/wise). WISE sets out the latest narrative on the region’s economic conditions and provides continuous tracking of regional economic metrics and is also shared at the Economic Growth Board. The

annual *State of the Region* report also contributes to the fulfilment of this statutory duty.

7 Equalities Implications

7.1 There are no direct equalities implications.

8 Inclusive Growth Implications

8.1 West Midlands Insights on Society and Economy considers our regional economic conditions across the eight West Midlands Inclusive Growth fundamentals. This ensures that the Economic Growth Board recognises the interconnectivity between elements of the economy, which is within the purview of the Board, with other essential components of the economy, from transport (connected communities fundamental) to skills (education and learning fundamental) and wellbeing (health and wellbeing fundamental).

9 Geographical Area of Report's Implications

9.1 The report covers the entirety of the WMCA (7 metropolitan district) level where data allows, and the three former Local Enterprise Partnership and wider West Midlands regional geography where more granular data is unavailable.