



West Midlands
Combined Authority

Economic Growth Board

Date	6 March 2024
Report title	West Midlands Economic Conditions
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Report has been considered by	

Recommendation(s) for action or decision:

Economic Growth Board is recommended to:

- (1) Note current economic conditions for the West Midlands; &
- (2) Note that the State of the Region will form part of the evidence base for the region's economic development work as part of the regular review of the economic conditions in the West Midlands.

1.0 Purpose of Report

- 1.1 This is a quarterly update on the current economic conditions of the West Midlands. This report brings together data from the WMCA's monthly 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.

2.0 Background

- 2.1 The West Midlands Insights on Society and Economy (WISE) is a monthly roundup bringing together the key research, intelligence, analysis, and data that

matter to policymakers and decisionmakers in the West Midlands. This includes a narrative summary of the relevant regional and national publications published in the previous month alongside the West Midlands regional metrics dashboard (aka WMCA Economic Dashboard) produced by the Economic Intelligence Unit as well as the West Midlands Economic Impact Monitor from City-REDI. The latest issue, for February 2024, is included in Appendix 1. To subscribe or to view all issues please visit wmca.org.uk/wise.

2.2 The latest West Midlands State of the Region report 2023/24 was approved by WMCA Board on 9 February 2024. This is part of the regional research and intelligence products for understanding regional economic conditions.

3.0 West Midlands Insights on Society and Economy (WISE) – February 2024

3.1 The economy takes centre stage in this month's WISE as we approach the March budget. The outlook is mixed but slightly more optimistic, with expectations of inflation falling faster than anticipated, along with interest rates. However, concerns arise as labour markets cool and suggestions that we may have experienced a technical recession in the final quarter of 2023. The anxiousness that such data yields is reflected in the Monetary Policy Committee's decision to maintain current rates for the time being.

3.2 This month also marks two years since the publication of the Government's Levelling Up White Paper, which outlined its plans to deliver on its flagship agenda. Progress has been made with a slew of new devolution deals (including our Trailblazer Deal), the passing of the Levelling Up and Regeneration Act, and the Government's recent statement on the metrics it will use to gauge progress against the 12 missions outlined in the Paper. However, progress is somewhat tempered with initiatives such as the Levelling Up Fund having been widely criticised and the appointment of "Levelling Up Directors" abandoned entirely. Next month, WISE will delve deeper into the progress of devolution as we approach the one-year anniversary of our Deeper Devolution Deal.

Unemployment and labour market statistics

3.3 Although the number of advertised vacancies falling regionally and nationally, the number of vacancies still remains above pre-pandemic levels and unemployment has moderately increased over the same period (WM: +0.4pp, UK: +0.3pp). In addition, concerns around youth unemployment are an ongoing concern, with the youth claimant rate rising 1.5% since January 2024.

3.4 Recent ONS West Midlands September to November 2023 labour market statistics estimated that:

- The regional employment rate was 75.2%, unchanged since the previous month. The survey-based estimate is up 0.1pp on the quarter and up 0.7pp on the year.

- The regional unemployment rate was 5.1%, unchanged since the previous month. The estimate is down 0.1pp the quarter and up 0.8pp on the year. The regional economic inactivity rate was 20.6%, unchanged since the previous month. The estimate is down 0.1pp on the quarter and down 1.4pp on the year.

The economy: A long road to recovery but at least we're past the worst of it?

- 3.5 The latest Monetary Policy Committee report suggests a cautious optimism regarding the economy, projecting a 0.1% growth in the first quarter of 2024. Inflation is expected to decrease faster than previously anticipated, nearing the Bank of England's target of 2% by summer. Base rates remain at 5.25%, with market expectations leaning towards a potential reduction soon.

Local government funding uplift announced:

- 3.6 The UK Government has announced a £600m package funding for local authorities, primarily to help fund local social care and aiming to mitigate bankruptcy threats. Despite the boost, councils have warned of further need for service cuts and tax increases. While some welcome the extra funds, it falls short of addressing long-term systemic challenges in areas like social care. Calls for financial reform persist amid rising costs and demands.

Cities Outlook 2024

- 3.7 The Centre for Cities' latest report underscores the economic performance and challenges facing UK cities. While job growth is evident, productivity remains stagnant, and housing affordability continues to worsen. The report calls for concerted efforts to bridge the north-south divide - including driving forward continued devolution to meet the needs of local communities, as well as record levels of investment to unlock growth.

Prime Minister appoints Adam Hawksbee as Towns Fund 'Tsar':

- 3.8 Former WMCA Head of Policy, Adam Hawksbee, has been appointed "towns tsar" to oversee the £1.1bn plan for 55 towns' regeneration, addressing issues like high streets, heritage, and anti-social behaviour. Each town will receive £20m over 10 years, with a "light touch" assurance from the Department for Levelling Up.

Regional and national labour market continues to cool:

- 3.9 Both regional and national labour markets continue to show signs of cooling, with a gradual increase in unemployment rates. Notably, the West Midlands Combined Authority area reports a 0.4% rise in unemployment since the previous month, underscoring the persistent concern over youth unemployment.

Industrial Energy Transformation Fund:

- 3.10 Minister Lord Callanan announced the 12 winners of the Local Industrial Decarbonisation Plan competition, which included £6m for “Decarbonising the Midlands Aerospace Cluster” (DMAC), a project designed to identify carbon heavy manufacturing processes in the industry and exploring potential solutions. An additional £185 million will open up for applications soon – find more information and apply here.

4.0 Direct insights from businesses and business groups

Business Insights Forum

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

- **Digital Infrastructure and Connectivity:** Despite the West Midlands' front-runner status in digital innovation and superior 5G and broadband access, challenges persist, particularly in terms of equitable distribution and cost-effectiveness. The importance of targeted investments to not only enhance these services but also to draw further investment was emphasised.
- **Birmingham Airport's Vision for 2024:** The forum received a comprehensive update on Birmingham Airport, revealing its current standing and forward-looking plans. Highlights included strides towards minimizing aviation carbon emissions, alongside a briefing on sector news, culminating in the insight that the airport has effectively rebounded to its pre-pandemic operational level of 2019.
- **Innovations in Housing Manufacturing and Strategy for 2025:** The forum was provided with insights by Leo Pollak (Head of Policy, WMCA Housing, Property, and Regeneration team) on the 2025 WM Future Homes Strategy, charting a course for future housing development in the region. Members also heard from Paul Nicol, (Modpods) who elaborated on the company's dedication to affordable housing, its foundational story, and their blueprint for a modular construction training academy. The conversation also touched on sustainable utilities, expansion ambitions, and procurement strategies. Emphasis was placed on the supply chain support for modular housing, stressing the need for industry adaptation, risk mitigation, and heightening modular housing's appeal.
- **WM5G's Role in Fostering Economic Expansion through Digital Uptake:** Robert Franks (WM5G) spoke about how WM5G, has received £3.8 million funding for a 5G trial, aims to bridge the gap in business adoption of digital technologies. The presentation outlined the program's focus on bolstering both demand and supply, including the establishment of adoption hubs and partnerships with local authorities and Jaguar Land Rover. The session wrapped up by spotlighting major insights and extending an invitation to the forum for organisational and business involvement.

- **Retail and Consumer Dynamics: A Perspective from the British Independent Retail Association:** Henrietta Brierly, (WM Chamber of Commerce), shared observations from the British Independent Retail Association. The dialogue spanned topics from sales trends in football to the evolving dynamics of shopping centres amid rising digital transactions. The discussion highlighted the necessity for supportive dialogue, bolstering the hospitality sector, and motivating consumer engagement, alongside addressing business anxieties regarding staff retention and advocating for tax reductions to encourage expenditure.

Regional Business Council

- 4.2 Since the last Economic Growth Board meeting, the West Midlands Regional Business Council (WMRBC) has considered several items. This has included a discussion on how the change in interest rates has impacted customers in the mortgage market across the UK, how the West Midlands Growth Company will improve engagement with the most strategically relevant businesses in the region to help them grow and finally, an overview of the financial position of Birmingham City Council following on from their section 114 notice and their plans to address budget shortfalls.

5.0 West Midlands State of the Region Report

- 5.1 The West Midlands State of the Region 2023/24 was considered by WMCA Board on 9 February, where the Board noted the issues and recommendations arising from the Overview & Scrutiny Committee and the key messages and recommendations set out within the report was noted. The report forms part of the evidence base for the region’s economic development work as part of the regular review of the economic conditions in the West Midlands and forthcoming West Midlands Futures work programme. The report can be found at <https://wmca.org.uk/sotr>.

6.0 Financial Implications

- 6.1 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.

7.0 Legal Implications

- 7.1 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.

7.2 The West Midlands Combined Authority fulfils this duty through a number of ways: on an annual basis, it produces a *West Midlands State of the Region* report considered by WMCA Board; on a quarterly basis, it produces this *Economic Conditions of the West Midlands* report; and on a monthly basis, through the monthly *West Midlands Insights on Society and Economy* (WISE) newsletter and dashboard (wmca.org.uk/wise).

8.0 Equalities Implications

8.1 There are no direct equalities implications.

9.0 Inclusive Growth Implications

9.1 There are no direct inclusive growth implications.

10.0 Geographical Area of Report's Implications

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