MIDLANDS ENGINE

OBSERVATORY

MIDLANDS ENGINE

REGIONAL ECONOMIC IMPACT MONITOR

EDITION 50: JULY 2024

Executive Summary

Welcome to the 50th edition of the Regional Economic Impact Monitor. As this month welcomes a new government, let's look back over the past few years of economic monitors in the Midlands Engine.

The Monitor began in March 2020 on a bi-weekly basis, covering the immediate impacts on businesses, households and the economy as the Covid-19 pandemic took hold. The monitor reported on furloughed employees, government loans to businesses as well as administrations and closures; deep dives into the impact of Covid-19 on sectors and skills, before moving onto the Levelling Up agenda, which became a common theme throughout past monitors.

The new Labour Government is taking over the economy at a turning point, benefiting from the natural swings of the economic cycle as the worst of the current crisis is behind us. One of the new government's top priorities is to kickstart economic growth with an aspirational goal of achieving the 'highest sustained growth in the G7'. The UK has had a strong start to the year and ONS data showing 0.9% growth in GDP in the three months to May is better than expected.

Further evidence that the economic shocks of the last five years are winding down as businesses get back onto a growth footing is business confidence, which has remained positive for 9 months in the West Midlands and since the turn of the year in the East Midlands. Midlands firms are planning huge investments over the coming years, despite reports that access to finance remains difficult. The manufacturing sector in particular faces challenges, as recent MakeUK data reveals the **West Midlands remains the only region in the UK that is yet to recover its pre-pandemic level of output, and the East Midlands** has fared worse in the balance for output and poor results for investment intentions and employment.

While pay growth remaining strong owing to the difficulties employers face when hiring provides some short-term relief to consumers, there are tentative signs of pay growth easing as the labour market continues to cool and expectations for inflation are falling.

The latest jobs data highlights significant challenges for the new government. In the Midlands Engine, e**mployment is below national averages, and economic inactivity remains elevated, with unemployment rising to 4.2%, above levels seen nationally.** There is now over 396,000 people out of work compared to last year due to long-term ill health. Data also shows a softening in labour demand with vacancies falling by 24% over the last 6 months.

CBI reports by ensuring a more joined-up approach to tackling economic inactivity that is more locally responsive and which builds-in efforts to tackle long-term ill-health can help unlock the untapped potential within the labour market. Delivering this programme of reform will require close partnership between government and business to enable the meaningful change we all want to see. The recently announced Skills England plans to develop a nationwide skills strategy and future-proof the workforce.

This is relevant as this report from the Learning and Work Institute (L&W) highlights that 6% of adults change career every year, and **barriers to career changes are primarily financial, with an individual facing lower earnings in the short term, earnings foregone in order to retrain, plus the cost of retraining.**

More broadly this month covers a series of work on the green transition:

- **In 2022, the Midlands Engine area produced a total of 56,956 Kt carbon dioxide (CO_2e) emissions, a decrease of 6.2% since last year.** Since 2005, the Midlands Engine area decreased by 38.6% while the UK decreased by 43.4%.
- The Centre For Progressive Policy explores the extent to which different areas are ready to capitalise on the economic opportunities of the green transition, based on the current skills profile of their workforces and finds that workers who could most easily be retrained into green jobs are spread unequally across the country. **At the regional level, many parts of the Midlands show less potential for developing workers to work in all green occupations**.
- All of this shows the scale of challenge to ramp up activities, skills, sectors and technologies for net zero by 2050.

While this monitor follows up on previous reports around investment levels across the UK and the Midlands:

- The UK remains second in EY's annual ranking of European countries by their ability to attract FDI projects **– performance across the Midlands was mixed, as the West Midlands, now ranked 3rd highest** in terms of total FDI projects while the **East Midlands ranked 3rd lowest** across all UK regions in terms of total projects.
- However, **the Midlands recorded poor results in terms of planning new or expanding operations in the next 12 months with 5% of responses planning projects in the West Midlands and only 3% in the East Midlands.**

Meanwhile, PwC has launched the Framework for Growth to better understand how different interventions can impact the UK's sectors and regions and set the right foundation for a renewed, long-term industrial strategy.

1. Economic Impacts

Global and National Outlook

Global

China Economy

China's **manufacturing activity fell for a third consecutive month in July,** increasing pressure on policymakers to speed up stimulus measures to boost the world's second-biggest economy. **China's economy is suffering from weak domestic consumption as a prolonged property slowdown and tighter government control over business undermine confidence.**

Automotive Markets

German carmakers are warning of the looming threat of a trade war between the EU and China. The EU's introduction last month of tariffs on Chinese-made electric vehicles following an investigation which found the electric vehicle sector was being heavily subsidised by Beijing, has hit EU manufacturers, including BMW and Volkswagen. BMW's chief executive has warned of "countermeasures", adding that Europe's green transition relied "heavily on raw materials and technology from China".

Eurozone

The Eurozone economy grew more than expected in the second quarter, expanding 0.3% and calming fears that the nascent recovery in the bloc may be running out of steam. In June, **the European Central Bank became the first major central bank to start cutting interest rates.** It forecast that demand would steadily recover in the bloc this year as inflation slowed, wages kept rising and global trade picked up. However, **recent business surveys have indicated that the Eurozone economy has been affected by geopolitical tensions, weaker global growth and fragile consumer confidence.** However, a slight increase in Eurozone inflation, to 2.6% in the year to July, is making it seem less certain that the European Central Bank will cut interest rates in September.

Consumer Strength Declines

There are fears the post-Covid consumer demand surge peaked as a host of big brands have undershot expectations with their earnings this week. **Starbucks** suffered a second consecutive quarterly drop in global sales, **citing the "cautious consumer environment**" for its floundering third-quarter results. It followed **McDonald's**, which reported its first global drop in sales since 2020 on Monday, as consumers retrench in the face of higher prices. Companies such as **Whirlpool**, **UPS** and numerous **airlines** have also **raised the alarm in the past week**. Subdued demand from western buyers is weighing on furniture, clothing and toy producers in China, causing companies to slash headcount and substitute in cheaper synthetics.

National

National Wealth Fund

The government has announced plans to align the UK Infrastructure Bank and the British Business Bank under a new National Wealth Fund that will invest in the new industries of the future. There will be **£7.3b of additional funding given to the UK Infrastructure Bank** and investments will start being made immediately, focusing on priority sectors. As part of the new National Wealth Fund, reforms will be made to the British Business Bank to help it mobilise the UK's deep pools of institutional capital.

Kings Speech

The UK government set out 40 bills in King's Speech for **'decade of national renewal'**. Planning reform and workers' rights formed central pillars of Labour's legislative agenda. Key plans include:

- **GB Energy, a new state-run company, would be at the heart of Starmer's industrial strategy** and would "manage and operate" clean energy projects, as well as work alongside the private sector.
- **Passenger Railway Services (Public Ownership) Bill & Railways Bill,** the renationalisation of Britain's rail operators.
- **Local councils will be given greater powers** to develop their own bus services.
- As well as the **Planning and Infrastructure Bill**.
- **A package of new employment rights** such as banning "exploitative" zero-hours contracts, ending "fire and rehire" practices, improving access to parental leave and sick pay for new employees, and making flexible working the default from day one for all workers.
- 15 bills are grouped under the heading "**economic stability and growth**" and feature a draft measure on audit reform and corporate governance.
- Other measures include **devolved powers for English regions over economic development.**
- **Budget Responsibility Bill**, giving new legal responsibilities for the Office for Budget Responsibility, the fiscal watchdog.

Interest Rates

The Bank of England has cut rates to 5%, marking the first drop since March 2020, which is likely to lead to lower mortgage repayment deals. **The Bank had held rates at a 16-year high of 5.25% since August 2023, as it attempted to tackle rising prices across the UK.** The last time rates were dropped was in the early days of the coronavirus pandemic, they were slashed to a record low of 0.1% in an attempt to boost the economy.

Policy Considerations

SECTOR	KEY INSIGHTS
Outlook	• The latest data shows that the UK's economic recovery is starting to put down roots. **The** Office for National Statistics (ONS) **reveals monthly real gross domestic product (GDP) is estimated to have grown by 0.4% in May 2024 after showing no growth in April 2024. Real gross domestic product is estimated to have grown by 0.9% in the three months to May 2024** compared with the three months to February 2024. • **Stronger momentum in the first half of this year has caused the EY ITEM Club to revise its forecast for GDP growth in 2024 to 1.1%, from 0.7% three months ago.** They still expect GDP growth of 2% in both 2025 and 2026. • The **UK will see growth of 0.5% expected this year, and 0.9% in 2025,** according to the latest KPMG Global Economic Outlook. • PwC expect national output to grow by around 1% this year, 1.7% next year and even faster in 2026. • The PwC Framework for Growth has calculated that the UK could have a potential **GDP uplift by £923bn by 2035** in 2023 price terms if the UK adopts a successful industrial strategy.
Trading Conditions	• The Consumer Prices Index including owner occupiers' housing costs (CPIH) **rose by 2.8% in the 12 months to June 2024, the same rate as the 12 months to May. The Consumer Prices Index (CPI) rose by 2.0% in the 12 months to June 2024, the same rate as the 12 months to May 2024.** • Though the EY ITEM Club thinks inflation is unlikely to fall much further, it appears that the period of high inflation is now over, **which should prompt a steady improvement in household spending power.** • However, **high wage growth is bearing down on businesses, with research showing labour costs are the main external pressure on firms forcing them to put up prices and hold back on investment.** • Locally, Greater Birmingham Chambers of Commerce's latest quarterly business report reveals the region's businesses are demonstrating an "underlying resilience" – with signs of economic stabilisation across several indicators, as well as a welcome fall in the number of firms reporting recruitment difficulties. Similar results were reported in Coventry and Warwickshire as business confidence strengthened. This comes amid confidence among Black Country firms grew in the second quarter of the year, while six out of ten businesses in the East Midlands Chamber Quarterly Economic Survey said they expected turnover to increase and half anticipated profitability to follow suit. • **Mid-sized businesses in the Midlands plan to invest millions over the next five years,** reported by BDO LLP, with a significant number prioritising the sourcing of new capital. • The British Business Bank Small Business Equity Tracker 2024 Reports equity investment for smaller businesses has fallen to levels previously seen in 2019, down 48% to £8.8bn. London accounted for 63% of investment and 49% of deals in 2023. **The West Midlands accounted for 1.4% of investment and 3.3% of deals, the East Midlands accounted for 1.3% and 2.7% respectively.** • **Small businesses in the East Midlands secured £109m of equity investment across 58 deals during 2023,** a 9% decrease in the number of deals compared to the previous year. **Small businesses in the West Midlands secured £120m of equity investment across 71 deals during 2023,** a 21% decrease. • New data from EY-Parthenon reveals that nearly one-in-five UK-listed companies issued a profit warning in the past year. Rising costs were cited by more than a quarter of businesses as a key driver behind warnings in Q2 2024. **Midlands companies issued 15 profit warnings** in the first half of 2024. • Furthermore, 'Red Flag Alert' analysis from Begbies Traynor reports there were **75,144 companies in significant financial distress in the Midlands, and a further 4,918 in critical distress.** • Both **East Midlands (62) and West Midlands (64) businesses accounted for 7% of administrations in the first six months of 2024.** • The latest Global Entrepreneurship Monitor research reveals that **despite the geographical variances, economic shocks generate a rising entrepreneurial tide across the whole of the UK.** London's performance post-Covid is striking, with the **West Midlands having the second highest Total early-stage Entrepreneurial Activity (TEA) rate. The East Midlands ranked in the middle of all UK regions. Fear of failure remains a significant obstacle to new start-ups**, especially those started by women.
Labour Market	• Payrolled employees in the UK increased by 54,000 (0.2%) between April and May 2024. • In April to June 2024, the estimated number of vacancies in the UK decreased by 12,000 on the quarter. • **Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 5.7%.** • The KPMG and REC, UK Report on Jobs report **permanent placements declined in the Midlands during June following just one month of growth.** Billings for temporary staff picked up again in the sixth month of 2024 and at the most pronounced rate for over two years. • **The latest British Chamber of Commerce Quarterly Recruitment Survey reveals 74% of firms that attempted to recruit over the past three months faced challenges hiring.** • Prime Minister Keir Starmer has launched Skills England.

Regional Business Activity

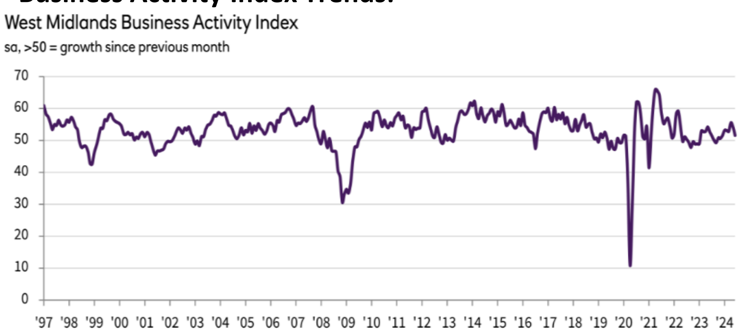
Business Activity Index

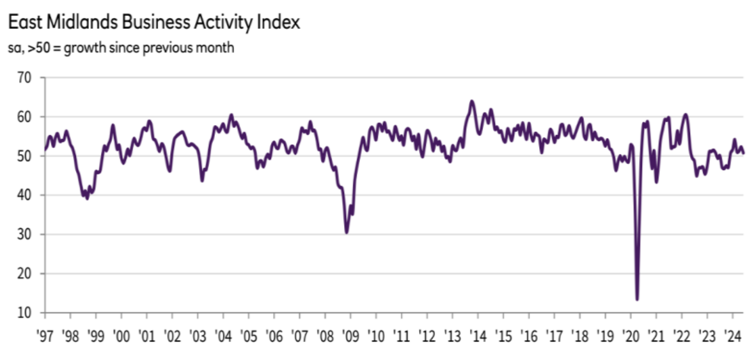
The West Midlands Business Activity Index decreased from 54.2 in May 2024 to 51.6 in June 2024, despite falling to the lowest reading so far this year, this is the ninth consecutive month of business growth. Business activity was restricted due to project delays, loss of customers and slow business decisions.

The East Midlands Business Activity Index decreased from 52.3 in May 2024 to 50.8 in June 2024, a marginal increase in output as greater output was linked to backlog depletion. However, East Midlands firms reported a fall in new business.

The UK Business Activity Index decreased from 53.0 in May 2024 to 52.3 in June 2024.

Business Activity Index Trends:





Source: NatWest, July 2024

Demand

The West Midlands New Business Index decreased from 52.6 in May 2024 to 50.2 in June 2024, despite the fall, this is the seventeenth consecutive month of growth. **The East Midlands New Business Index decreased from 50.4 in May 2024 to 47.2 in June 2024**, after five consecutive months of growth, the latest reading shows a renewed decline in new business. The fall was the fastest seen since November 2023 and linked to weaker client demand and hesitancy to place orders.

Exports

The West Midlands Export Climate Index decreased from 53.2 in May 2024 to 52.3 in June 2024. The East Midlands Export Climate Index decreased from 52.7 in May 2024 to 51.7 in June 2024. For both regions, this is the first fall in the year so far.

Business Capacity

The West Midlands Employment Index decreased from 48.8 in May 2024 to 47.4 in June 2024 and signals a fifth consecutive month of declines in employment. **The East Midlands Employment Index decreased from 48.9 in May 2024 to 47.4 in June 2024**, which is the twelfth consecutive monthly drop in employment and the steepest decline since November 2023. There were only three regions to register a decline in employment in June 2024– West Midlands, East Midlands and the South West.

The West Midlands Outstanding Business Index decreased from 47.8 in May 2024 to 47.6 in June 2024 due to subdued new orders and efficiency gains. **The East Midlands Outstanding Business Index decreased from 45.2 in May 2024 to 44.9 in June 2024**, the contraction period now extends back to October 2022. Lower backlogs of work were due to reduced new orders and sufficient capacity.

Prices

The West Midlands Input Prices Index increased from 58.0 in May 2024 to 58.6 in June 2024, indicating a rise in input prices. Firms still reported higher costs in various areas such as food, insurance, labour, material and shipping costs. **The East Midlands Input Prices Index increased from 59.2 in May 2024 to 61.1 in June 2024**, indicating a further substantial increase in operating costs. Firms reported higher costs for raw materials.

The West Midlands Prices Charged Index increased from 54.5 in May 2024 to 55.8 in June 2024, in line with the intensification of cost pressures. **The East Midlands Prices Charged Index increased from 53.2 in May 2024 to 54.3 in June 2024**. The average output charge has continued to increase as firms passed on costs to customers.

Outlook

The West Midlands Future Business Activity Index decreased from 80.5 in May 2024 to 74.8 in June 2024, the latest reading is an eight-month low. However, firms were still optimistic due to product diversification, expectation of lower interest rates, client demand and marketing.

The East Midlands Future Activity Index decreased from 69.1 in May 2024 to 68.8 in June 2024. Firms were still optimistic for the upcoming 12 months due to investment into new products/services lines and hopes of stronger sales.

Source: NatWest: UK regional growth tracker report for June 2024, released July 2024.

2. Labour Market Impacts

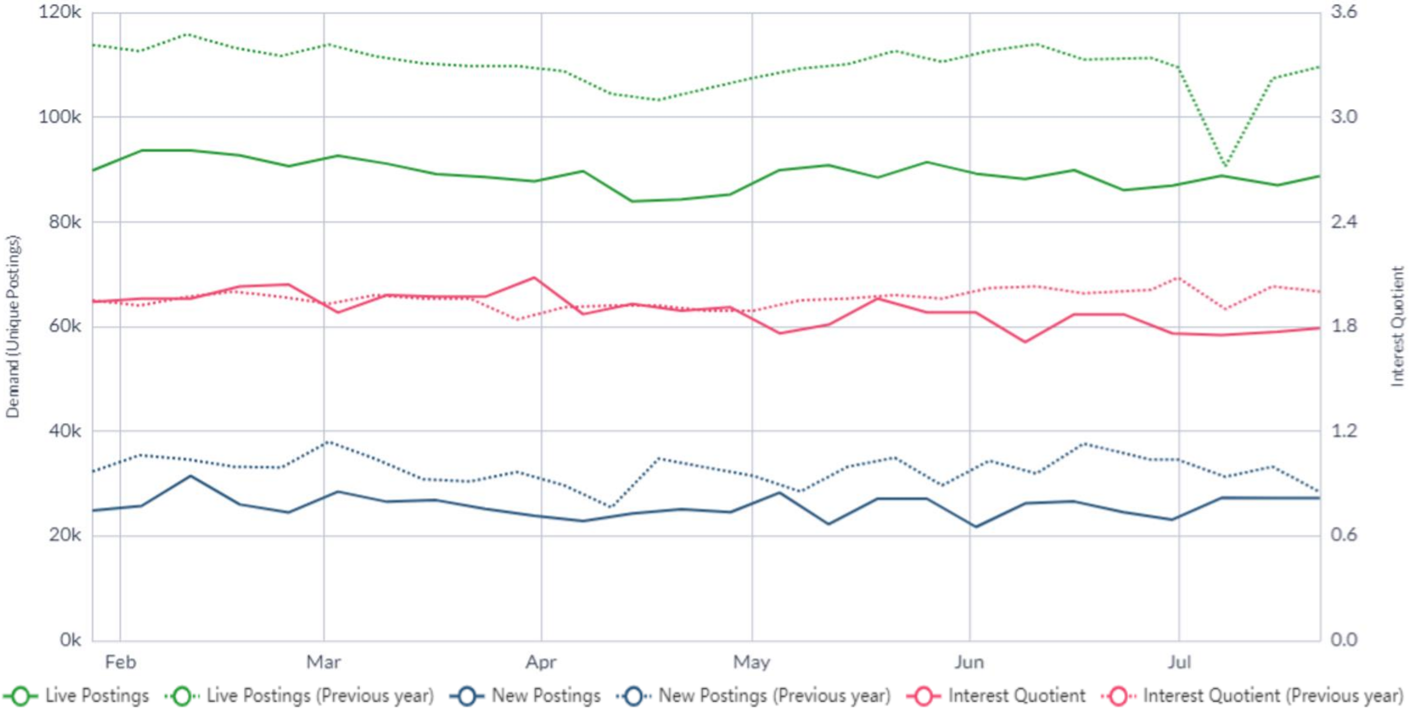
Labour Market and Job Postings

The latest UK jobs data highlights significant challenges for the new government. **Employment has dropped by over one percentage point in the past year, and economic inactivity is at a decade high, with unemployment rising to 4.4%.** There is now circa 500,000 more people out of work compared to last year, particularly due to long-term ill health. Data also shows a softening in labour demand with vacancies falling by 30,000 over the last quarter, bringing them to their lowest level in three years. Nonetheless, they remain significantly higher than pre-pandemic levels and redundancies remain close to their lowest on record.

The latest total unique job postings data shows that the **number of postings across the Midlands dropped 24.0% over the last six months to 734,652,** however, the number of postings is high compared to the average for all regions. The number of new job postings fell by 24.4% to 637,395, again the number of new job postings was high compared to other regions. Despite employer demand narrowing, **those seeking work - wanting a job, currently remains heightened (1.9 Interest Quotient).**

Overall Demand and Interest for the Midlands:

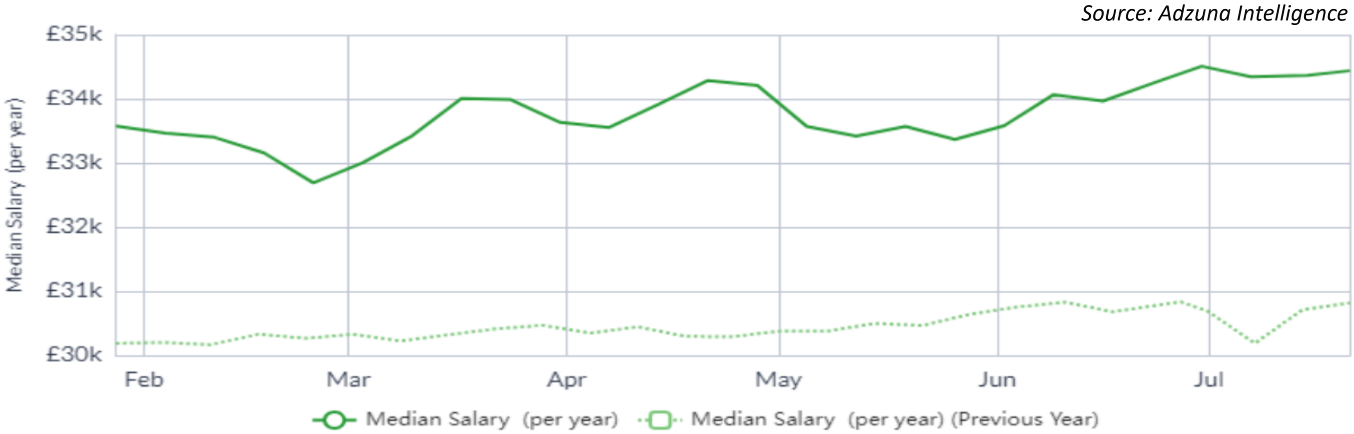
Source: Adzuna Intelligence



The **advertised median salary across the Midlands has increased by 9.5%** year-on-year to £32,895 per year.

Salary Trends for the Midlands:

Source: Adzuna Intelligence



Sectors Hiring in the Midlands

Job posting demand was greatest for roles in engineering, teaching and sales. These sectors accounted for **nearly 35%** of all job postings in the last six months.

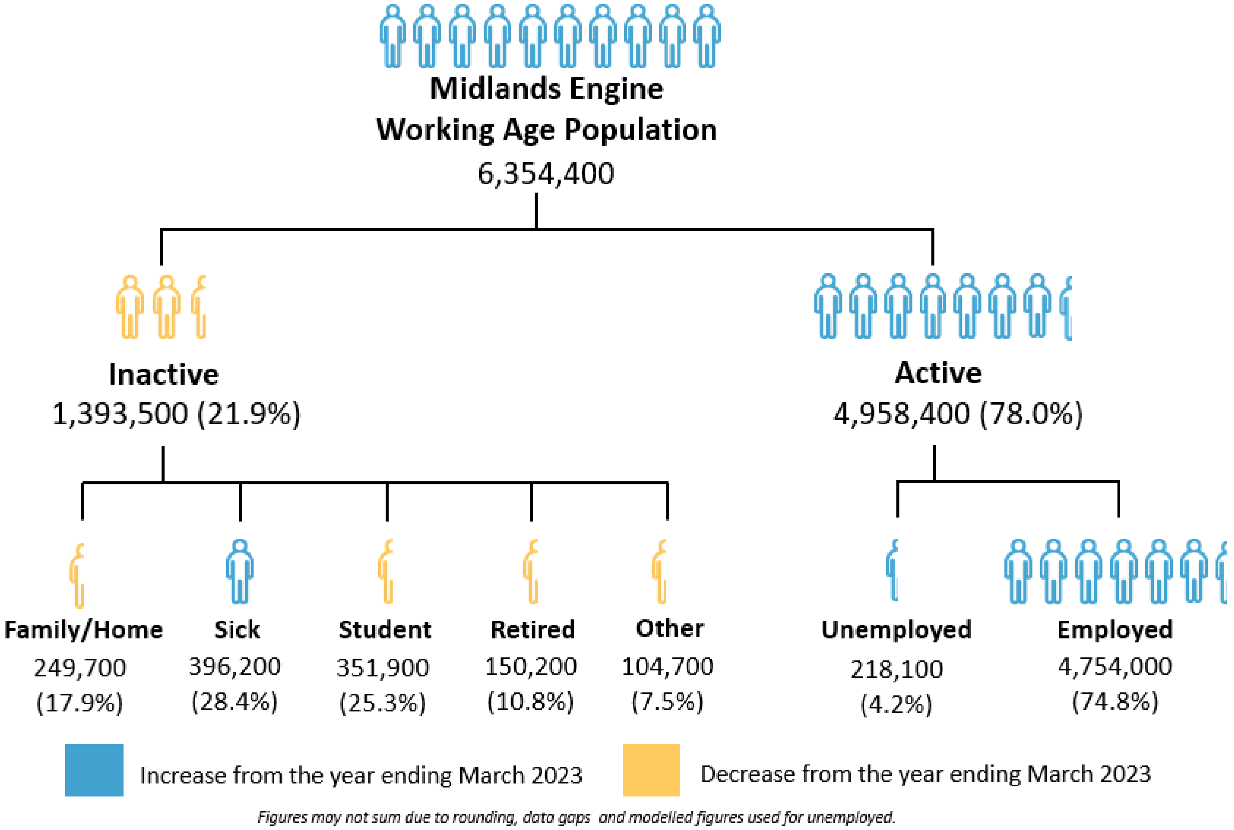
Source: Adzuna Limited Job Posting Intelligence, Accessed July 2024. The Interest Quotient uses jobseeker data to quantify the level of interest in particular roles.

The Midlands Economic Activity

The latest data (full year to March 2024) from the ONS Annual Population Survey (APS) highlights –

- In the year ending March 2024, the **employment rate in the Midlands Engine area was 74.8%,** compared to 75.4% for the UK overall. When compared to the year ending March 2023, the Midlands Engine area **increased by 0.9 percentage points (pp)** while the UK remained unchanged. For the Midlands Engine area **to reach national proportions requires 39,832 working age residents to be employed.**
    - Within the Midlands Engine, **41 local authority areas have employment rates that were above the UK average.** When compared to the year ending March 2023, the employment rate in 37 of the Midlands Engine local authorities increased.
- The **economic activity rate for the Midlands Engine area was 78.0%** compared to 78.5% for the UK in the year ending March 2024. For the Midlands Engine area, **the economic activity rate has increased by 0.2pp** since the year ending March 2023, this matched the UK growth rate. For the Midlands Engine area **to reach national proportions requires 29,311 working age residents to be economically active.**
    - Within the Midlands Engine, **42 local authority areas have economically active rates that were at or above the UK average**. Since the year ending March 2023, the economic activity rate in 36 of the Midlands Engine local authorities increased.
- **For economic inactivity, the Midlands Engine rate was 21.9%** compared to 21.5% for the UK overall in the year ending March 2024. Since the year ending March 2023, for the Midlands Engine area, this **decreased by 0.9pp** while the UK decreased by 0.2pp.
    - As seen below, there was an increase in economically inactivity for those classed as sick (+1.0pp).
- The **modelled unemployment rate for the Midlands Engine was 4.2%** compared to 3.9% for England in the year ending March 2024. For the Midlands Engine, this is an **increase of 0.1pp** while England increased by 0.2pp since the year ending March 2023.

Labour Market Activity for the Midlands Engine in the Year Ending March 2024:



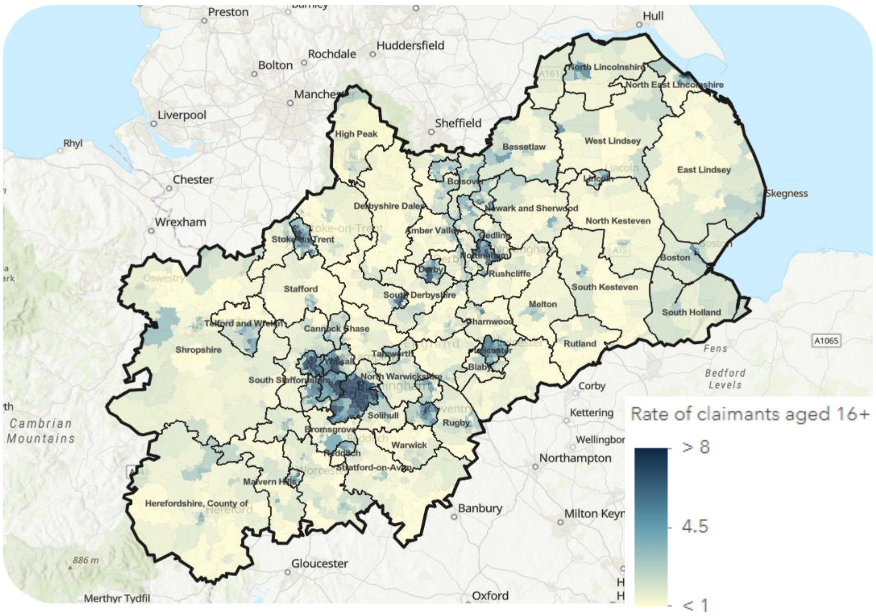
Due to data gaps, modelled unemployment rate has been used. The model-based estimate improves on the APS unemployment estimate by borrowing strength from the claimant count to produce an estimate that is more precise. The claimant count is not itself a measure of unemployment but is strongly correlated with unemployment. The gain in precision is greatest for areas with smaller sample sizes. Modelled unemployment rate is based on all people aged 16+ without a job who were available to start work in the two weeks following their interview and who had either looked for work in the four weeks prior to interview or were waiting to start a job they had already obtained.

Labour Market Impacts: Claimants

There were **297,485 claimants aged 16 years and over** in the Midlands Engine area in June 2024, an increase of 15,075 claimants (+5.3%, UK +3.7%) since the previous month. **There are 25,400 more claimants (+9.3%, UK +8.3%) when compared to June 2023**. East Lindsey and North East Lincolnshire have lower levels of claimants when compared to pre-Covid-19 figures of March 2020 (-970 and -150 respectively).

The number of claimants as a percentage of residents aged 16 years and over was 3.5% in the Midlands Engine and 3.0% for the UK in June 2024.

Claimants as a Percentage of Residents Aged 16 Years and Over in June 2024:



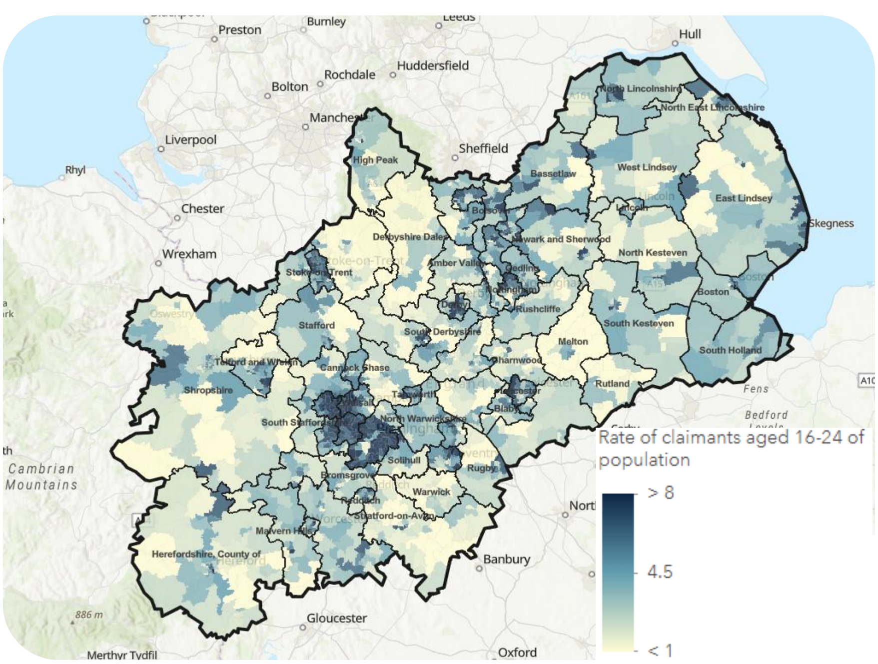
Out of the 1,511 wards within the Midlands Engine, 429 were at or above the UK average of 3.0% for the number of claimants as a percentage of the population aged 16 years and over in June 2024.

The wards with the highest number of claimants as a percentage of the population were based in Birmingham, with Lozells and Handsworth highest at 18.9% and 18.4% respectively. In contrast, the wards with the lowest number of claimants as a percentage of the population were Keele (Newcastle-Under-Lyme) at 0.1%, followed by Ashby Castle (North West Leicestershire) at 0.2%.

There were **54,050 claimants aged 16-24 years old** in the Midlands Engine area in June 2024, an increase of 420 youth claimants (+0.8%, UK: +0.6%). Since June 2023, **the number of youth claimants has increased by 3,560** (+7.1%, UK +5.7%). Longer term, when compared to pre-Covid-19 figures, there were 12 local authorities in the Midlands Engine that had lower levels than March 2020 and a further 1 that were the same level.

The number of claimants as a percentage of residents aged between 16-24 years old was 4.8% in the Midlands Engine and 4.0% for the UK in June 2024.

Claimants as a Percentage of Residents Aged 16-24 Years in June 2024:



Out of the 1,511 wards within the Midlands Engine, 606 were at or above the UK average of 4.0% for the number of claimants as a percentage of the population aged 16–24 years and over in June 2024.

The ward with the highest number of youth claimants as a percentage of the population was Handsworth (Birmingham) at 18.4%, followed by Joiner's Square (Stoke-on-Trent) at 15.5% and Stockland Green (Birmingham) at 14.6%. In contrast, within the Midlands Engine there were 97 wards with no youth claimants in June 2024.

An interactive version can be found here.

Source: ONS/ Department for Work and Pensions, July 2024

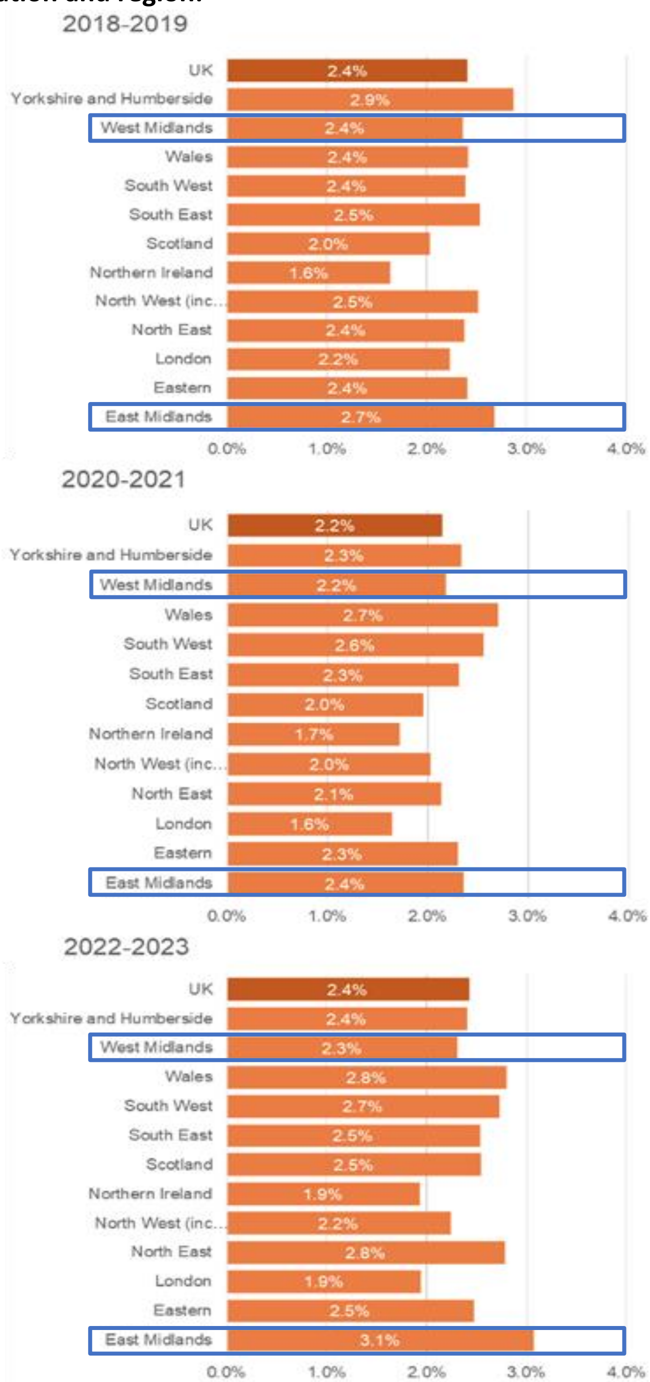
Learning and Work Institute New Futures Pilots

This report from the [Learning and Work Institute](#) (L&W) highlights the importance of career change, as well as the national landscape of employment and how policy can improve it.

The Importance of Career Change

In the UK, around 6% of adults change career every year, and around 1.3% of people in work switch sector every quarter. Changing careers allows individuals to respond to the changing nature of the labour market as the economy and technology develop. This includes helping people find sustainable work if their role becomes redundant, and ensuring the economy's future skills needs and priorities are met. Career change is also a means by which communities can build resilience to negative economic shocks, preventing scarring effects to areas of the country. In addition, changing careers offers individuals a pathway out of low-quality work into better work, which may not be available within their current sector or industry.

Percentage of people in work who change jobs by nation and region:



Career Change in England

Across the UK, the percentage of people who change jobs returned to its pre-pandemic level in 2022-2023 (2.4%) after dropping to 2.2% in 2020-2021. In five out of nine English regions, the number of total job movements has already caught up with and exceeded pre-pandemic levels. In the **East Midlands**, on average 2.7% of workers moved jobs each quarter in 2018-19. This fell to 2.4% in 2020-21 but rose to 3.1% in 2022-23. The rate of job change has not yet caught up with pre-pandemic levels in Yorkshire and the Humber, North West, London and **West Midlands**. There were fewer movements to a different sector after the pandemic for all English regions. London, the North East and the **West Midlands** have not returned to pre-pandemic movements to different sectors.

Labour Force Survey data

Analysis of Labour Force Survey data shows that between 2020 and 2023 in the **West Midlands**, 83% of those who were working in the public sector and changed jobs remained in the public sector, more than any other English region. In the **East Midlands**, 45% of those who were working in transport and communication and changed jobs remained in the same sector, while 18% moved into the finance sector and another 14% into the energy sector.

Projected employment change

Analysis of projected employment change by industry sector to the year 2035 shows that both the **West Midlands** and the **East Midlands** are expected to see the lowest growth in the mining and quarrying sector (-4.7% and -3.2% respectively). The sector expected to see the highest growth in the **West Midlands** is accommodation and food (1.5%), whereas food, drink and tobacco is expected to see the highest employment growth of any sector in the **East Midlands** (1.2%). Compared to all other UK regions, the **East Midlands** is expected to have the largest percentage decrease in those employed in the education sector (-0.1%), but the largest rise in other public sector jobs (1.0%). Whereas the **West Midlands** is expected see the joint largest percentage increase in employment in the transport and storage sector.

Source: Learning and Work Institute New Futures: Nation Briefings, 2024

Learning and Work Institute New Futures Pilots

Employment by sector, 2020 to 2035, growth (percentage per annum):

	Eastern	East Midlands	London	North East	North West	South East	South West	West Midlands	Y&H	Northern Ireland	Scotland	Wales
Agriculture	0.2	-0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.1	0.4	0.1
Mining and quarrying	-4.4	-3.2	-3.3	-1.7	-3.7	-1.5	-4.0	-4.7	-4.7	-0.4	-0.9	-2.8
Food drink and tobacco	0.9	1.2	0.0	-0.1	-0.7	1.3	-1.7	-0.1	-1.7	1.0	-0.1	0.0
Engineering	-1.1	-1.3	2.0	-0.3	0.3	-2.0	-1.5	-0.2	0.2	-2.5	1.2	-1.3
Rest of manufacturing	-1.2	-1.0	-1.5	-1.0	-0.9	-1.2	-0.5	-0.7	-1.3	-1.2	-1.1	-0.6
Electricity and gas	-0.8	0.0	0.0	0.0	-0.8	-0.1	-0.6	-0.4	-0.3	-0.6	-0.6	-0.6
Water and sewerage	1.0	0.6	1.5	0.3	0.3	1.2	1.0	0.4	0.6	1.3	0.4	1.0
Construction	1.2	0.4	1.6	-0.3	0.1	0.9	1.2	0.2	0.1	1.3	-0.1	0.1
Wholesale and retail trade	0.2	0.3	-0.1	0.0	0.2	0.1	0.1	0.1	0.0	0.2	0.0	0.1
Transport and storage	0.7	0.3	0.5	0.3	0.6	0.2	0.2	1.0	1.0	0.7	0.5	0.1
Accommodation and food	1.0	0.4	1.5	1.2	1.4	1.2	1.3	1.5	0.6	1.7	0.4	0.6
Media	-0.3	0.0	0.5	0.0	0.1	-0.4	-0.4	0.0	0.0	0.0	0.0	0.0
Information technology	0.6	1.0	1.1	1.2	1.1	1.1	0.7	0.8	0.8	1.0	1.2	0.9
Finance and insurance	-0.9	-0.5	0.2	0.2	-0.2	-0.7	-0.3	-0.3	-0.1	0.2	0.3	1.0
Real estate	1.1	0.3	0.0	0.9	1.1	0.7	-0.7	0.9	-0.4	-1.4	0.2	-0.4
Professional services	0.9	0.6	0.8	0.5	0.7	0.8	0.9	0.6	0.7	0.8	0.9	0.7
Support services	0.9	0.8	0.7	0.4	0.8	0.9	1.3	0.8	0.9	1.1	0.9	0.6
Public admin. and defence	0.8	1.0	0.1	-0.1	0.0	0.4	0.5	0.5	0.1	0.1	-0.2	0.0
Education	0.0	-0.1	0.0	0.6	0.8	0.1	0.5	0.6	0.1	1.0	0.5	0.6
Health and social work	1.2	0.8	0.4	0.9	1.1	0.3	1.4	0.7	1.1	0.9	1.5	1.1
Arts and entertainment	-0.1	-0.4	1.3	0.8	-0.1	1.1	2.0	0.0	-0.2	0.6	1.4	0.6
Other services	0.0	-0.5	1.2	-1.4	-0.1	-0.4	0.4	-0.2	-0.9	0.3	-0.3	-1.0
All industries	**0.5**	**0.3**	**0.6**	**0.3**	**0.5**	**0.4**	**0.7**	**0.5**	**0.3**	**0.6**	**0.5**	**0.4**

Note: Red is the lowest growth in a sector for that region and green is the highest growth sector.

Barriers to Career Change

Barriers to career changes are primarily financial, with an individual facing lower earnings in the short term, earnings foregone in order to retrain, plus the cost of retraining. People also often report not knowing what their options might be or where to get support with career change, including whether any financial assistance might be available to them. L&W's Adult Participation in Learning Survey in 2022 showed that significant numbers of people thought that to change career they would need training (31%), financial help (25%), and advice (23%) to retrain.

The current support landscape in England

There is some provision in England to overcome the financial barriers to career changes, for example eligible adults can access a level 3 qualification for free through the Government's Free Courses for Jobs (FCFJ) offer. For people in work, the Right to Request Time off to Train is available. From 2026, the Lifelong Learning Entitlement (LLE) will create a single funding system in England to help people pay for college or university courses, with adults aged 18-60 able to access loans worth up to £37,000 to upskill or retrain. Retraining support provision in England includes: Skills Bootcamps, Sector Based Work Academies (SWAPs) and Returnerships. Apprenticeships can also be a positive way for people to change careers and help minimise the cost of doing so as people earn while they learn.

The role of employers

Employers have a responsibility and interest in ensuring they have a high-quality workforce and talent pipeline. That means engaging in public programmes, investing in their own recruitment and training, and providing clear and diverse routeways into their roles. However, average employer spending on training has decreased by 27% per trainee since 2011. Access to training is also highly unequal, with low paid, low qualified workers less likely to have opportunities to develop their skills. The National Careers Service is accessible to adults at all stages of life.

Policy priorities to help people change career

The report suggests focusing efforts on increasing adults' awareness of the opportunities for career change and access to advice and guidance. **Public intervention should target people who need more help to change career or who are at greater risk of falling out of work, alongside better financial support.** The report recommends that career change should be a strategic part of policy and suggests the creation of designated career change support to provide skills and training for those currently in employment. Further recommendations include reform to the Apprenticeship Levy, so that training outside apprenticeships should be eligible for levy funding, and to revise and reverse the decision to limit its Free Courses for Jobs (FCFJ) offer to adults earning less than £25,000.

Aiming High

Another report by the Learning and Work Institute (Aiming High) sets out what an 80% employment rate would mean **(£23 billion economic prize)**, why it's important and how to get there. It calls for actions to extend and integrate help to find work to all who are out of work, better integrate public services to meet people's needs, work with employers on job design, recruitment and job retention and devolve with an outcome-focused, strategic state.

Workplace Mental Health In Midlands Firms

ERC research report explores workplace mental health in Midlands firms. **Mental health absence is slowly growing. In 2024, 27.5% of firms reported that they had experienced some level of mental health related absence in the previous 12 months** (but below the level of 30.5% pre-pandemic). **The proportion of those firms with some level of mental health absence reporting that at least some of it was long-term grew from 38.0% in 2023 to 47.2% in 2024**, an increase of 9.2%. General long-term sickness absence also grew in this period, but by only 4.3%. **Presenteeism remains higher than pre-pandemic and was reported by 37.2% of firms in 2024.** This represents a small increase compared to 36.6% in 2023. 2023 saw a substantive increase from 2022, when only 20.9% of firms reported it.

The ten key findings and related policy implications of ERC's 2024 employer survey into workplace mental health:

- **Lower reported mental health absence in some sectors, notably construction, wholesale/retail and hospitality, and fewer firms reporting that such absence impacts on their operations** - more research to explore sectoral differences and to understanding precarity and its implications in the workplace should be a priority. This could inform the development of initiatives to encourage employers in these sectors to be alert to mental health issues and to encourage employees to take absence when needed.
- **Substantial increase in long-term mental health sickness absence, (spikes in production, wholesale/retail and hospitality firms)** - put employee wellbeing at the centre of job design to increase employee autonomy and flexibility where possible, and to allow individuals to exert some influence over their work and workload within the parameters of the job.
- **More employers attributing mental health absence to physical health causes** - educate employers in the links between mental and physical ill health. Provide employers with support in recognising and managing employees that are experiencing both physical and mental issues.
- **Sustained elevated levels of presenteeism reported in firms of all sizes and in all sectors** - addressing presenteeism should be a priority. Signposting firms towards the resources already available from mental health expert organisations and professional bodies would be a cost effective first step. The provision of online toolkits and resources to help employers to put in place simple structured procedures to assess their practices may also be particularly useful for more resource-constrained smaller firms.
- **Nearly a fifth of firms still do not have any mental health initiatives in place, and these firms are more likely to be in sectors that employ the self-employed and those on zero-hours and temporary contracts** - industry bodies and trade associations may have a role to play in showcasing the benefits of adopting mental health initiatives to specific sector audiences. This may allow tailored messages relevant to each sector to be developed and disseminated, which may be particularly helpful in sectors with low adoption.
- **77% of firms agree they have a responsibility to deal with mental health issues, only 57% offer mental health initiatives** - identifying the evidence and arguments that will resonate most with employers will be key to increasing uptake, and this may require further research. A support programme to help employers, especially smaller and more resource constrained ones, to evaluate the wide variety of mental health initiatives available and to identify the best for their circumstances, would provide practical guidance to drive uptake.
- **Slow uptake of more strategic approaches to workplace mental health** - policymakers, academics and employer support agencies may have a role to play in encouraging firms to move beyond no-cost practices and towards more strategic and embedded approaches, by collating and presenting relevant evidence for the efficacy of more strategic initiatives. Peer mentoring initiatives to pair firms that have adopted more strategic initiatives with those that have not yet done so may also help to accelerate change.
- **Initiative adoption is often driven by individual managers and employees** - embed mental health training into management and leadership programmes. Regular provision of signposting materials from mental health expert organisations to employers, and particularly through follow-up communications to managers who have already participated in training.
- **Adoption of mental health initiatives by employers is less likely to be driven by data** - communications aimed at persuading employers to pay attention to key indicators related to workplace mental health, such as mental health absence levels, may help them to identify and respond to issues earlier.
- **Hybrid working is now embedded for around a third of firms, with employers pointing to benefits and challenges** - policy interventions to help employers to successfully manage hybrid working may help to avoid negative consequences and to capitalise on the positives. Initiatives could usefully focus on encouraging firms to establish hybrid working policies to clarify areas including responsibilities of supervisees and supervisors, access to resources to enable successful and safe remote working and expectations related to communications. Line managers may also benefit from additional training in managing staff remotely.

Firm Employment Dynamics in Local Economies

New official statistics in development from the ONS explores [local employment change dynamics influenced by job creation and job destruction]().

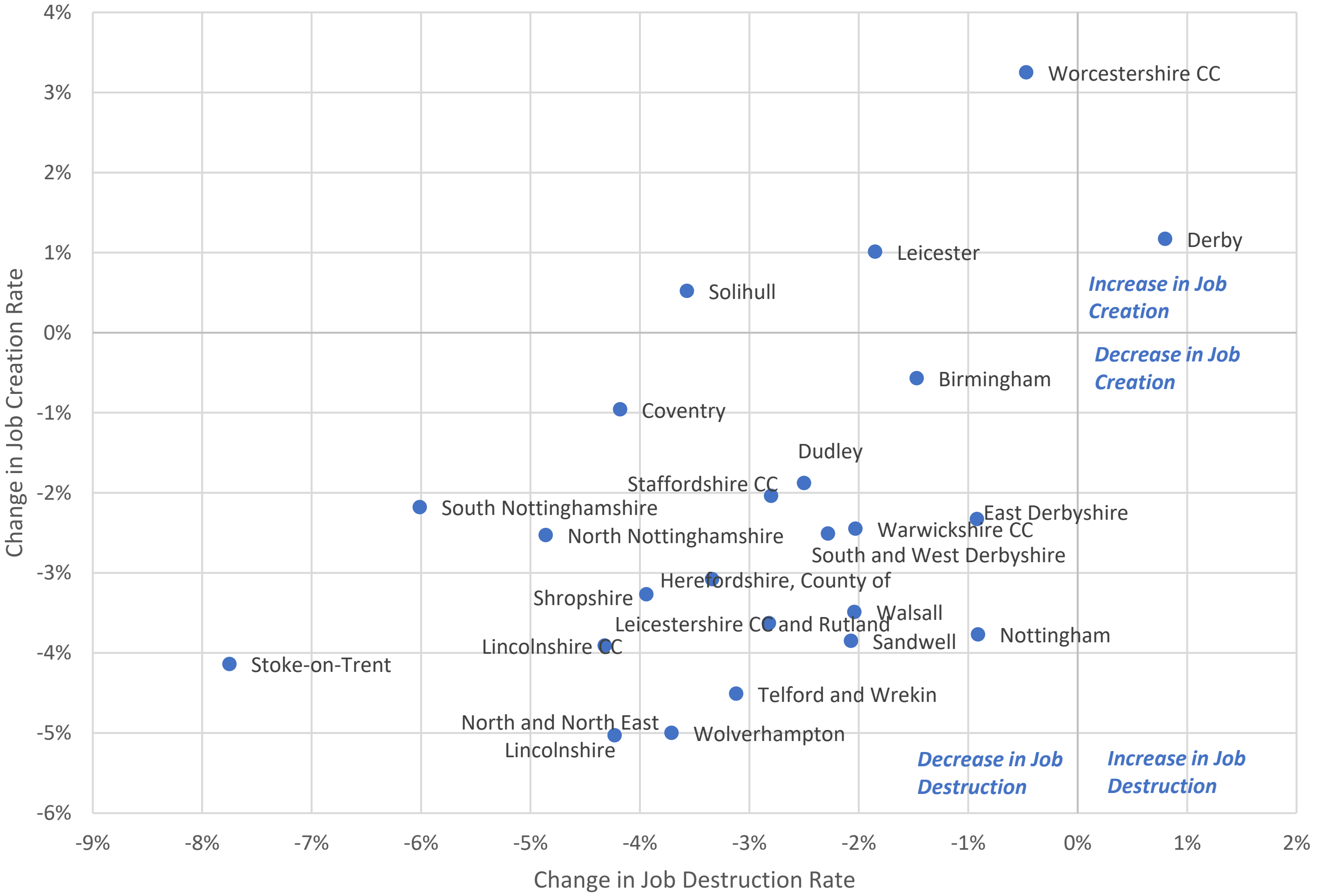
During a business or organisation's lifecycle, they will create jobs as they open and grow, and will remove jobs when they shrink and close. As jobs are removed by firms that shrink or close, displaced workers flow to opening or expanding enterprises. A steady rate of creation and destruction is necessary for an economy to grow in the long term, because it allows new ideas and activities to flourish. This process is tied to the idea of "creative destruction", proposed by economist Joseph Schumpeter.

In 2022, there was a net addition of approximately 61,040 jobs in the Midlands Engine area, with a total of 644,615 jobs created compared to 583,575 jobs destroyed. For the UK, there were approximately a net addition of 411,000 jobs (4.4m created and 4.0m destroyed).

ONS have calculated a job creation rate and a job destruction rate by looking at the number of jobs created or destroyed by firms in a year relative to the existing level of employment within an area. **The change in average annual job creation rate and job destruction rate during periods between 2004 to 2007 and 2016 to 2019 shows that 87% of all local (ITL3) areas had a decrease in both the job creation and destruction rate.**

The change in job creation rates ranged from negative 7.1% (South Lanarkshire to positive 3.3% (Worcestershire CC) and the change in job destruction rates ranged from negative 7.8% (Stoke-on-Trent) to positive 1.7% (Lochaber, Skye & Lochalsh, Arran & Cumbrae, & Argyll & Bute) in all subregions. This does not necessarily mean that these areas have experienced negative employment growth but rather that the rate at which jobs are being added and removed is slowing in almost all areas. Notably, many areas experiencing the largest decreases also observed the highest levels of job creation and destruction within the earlier period.

Change in job creation rate and job destruction rate for areas within the Midlands Engine, 2004 through to 2007 to 2016 through to 2019:

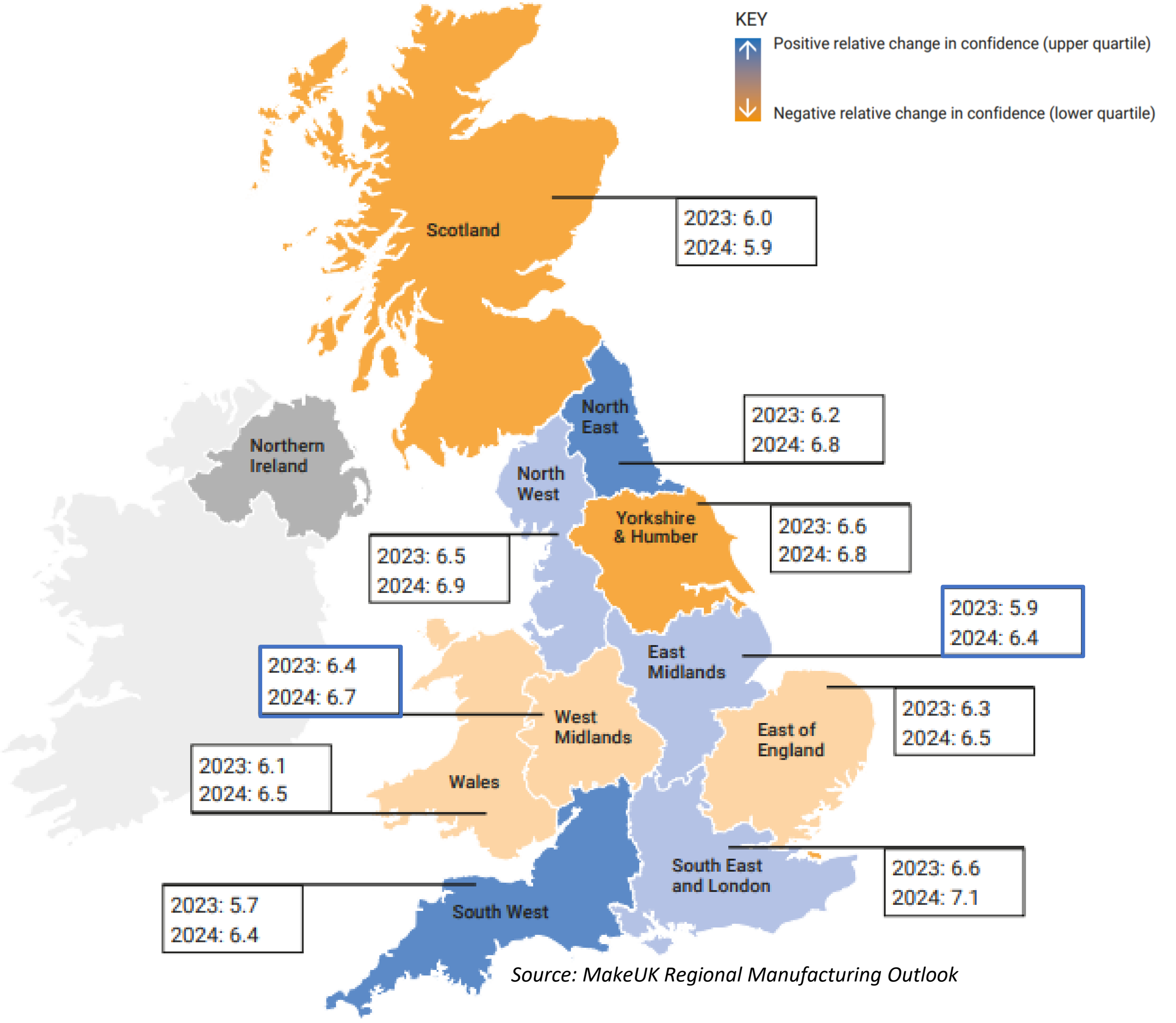


3. Business Environment

Regional Manufacturing Outlook

This year's MakeUK Regional Manufacturing Outlook data captures a year of mostly positive results, in some cases well above the national average. **However, the overall picture is mixed as some regions (or nations) fared less well on specific metrics.** Most parts of the UK have performed well in at least one metric, with certain areas vastly outperforming the UK average. Both the North East and North West stand out with very positive average balances for output and orders, particularly the former region which has posted the best figures in the country. Furthermore, Wales has excelled in this report, posting the most improved average balance for every metric covered in the report. **The picture in the Midlands and the South was more mixed.**

Difference in business confidence indicator compared to one year ago:



Source: MakeUK Regional Manufacturing Outlook

Looking at the Midlands regions, the West Midlands appears to be doing well in its order books and investment intentions, though output volumes have not grown much. **The West Midlands also remains the only region in the UK that is yet to recover its pre-pandemic level of output.** The East Midlands has fared worse in comparison, posting a negative 2% average balance for output and poor results for investment intentions and employment.

East Midlands summary:

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	5.7%	–
Manufacturing	0.9%	15.9%
Construction	0.4%	7.4%
Services	4.2%	72.5%
Other production	1.2%	20.2%

West Midlands summary:

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.1%	–
Manufacturing	0.9%	13.1%
Construction	0.5%	6.4%
Services	5.5%	76.9%
Other production	1.2%	16.8%

Source: MakeUK Regional Manufacturing Outlook

UK Attractiveness Survey

The UK Attractiveness Survey for 2024 by Ernst & Young (EY) **examines the performance and perceptions of the UK as a destination for foreign direct investment (FDI).** The UK remains second in EY's annual ranking of European countries by their ability to attract Foreign Direct Investment (FDI) projects and was the only country in the top three to see project numbers increase year-on-year.

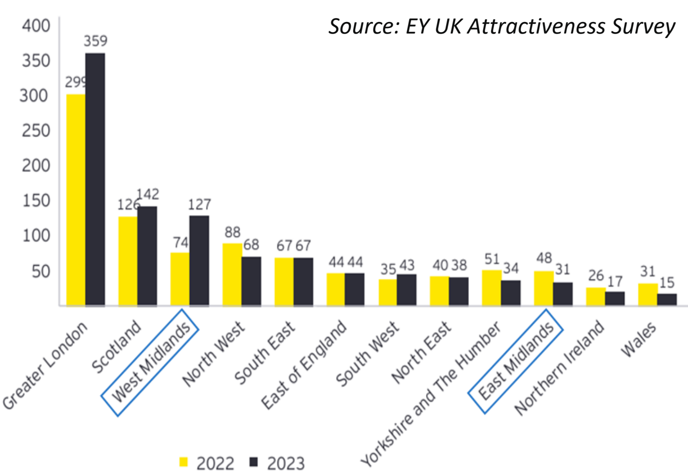
UK Inward Investment in 2023

Against the background of decline in European FDI projects, **the UK saw its project count rise in 2023 by 6% to 985. The UK saw its share of Europe's inward investment market grow to 17.3%, up from 15.6% in 2022.** However, despite this increase, the UK's 2023 share of 17.3% was still below its decade-long average share of 17.9%. In 2023, the UK extended its lead on FDI employment creation, with its total new jobs created rising by 12% to 52,211. The average jobs per project in the UK was 61, ahead of Germany (49) and France (35). **This has been a particular strength in UK investment projects in recent years – with the UK consistently posting strong job announcement figures year on year. Furthermore, in 2023, the UK also secured Europe's highest number of 'new' investments by first-time investors,** as opposed to expansions of existing operations; the UK attracted a total of 736 new projects in 2023 – a rise of 13.9% from 646 in 2022.

Regional Performance

With project numbers in London returning to growth, FDI performance across other areas of the UK was mixed, with strong showings from Scotland (up by 12.7%), the **West Midlands** (up by 71.6%) and the South West (up by 22.9%). The biggest regional increase in projects in 2023 was achieved by the **West Midlands**, whose projects surged by 71.6% to 127. In 2023, the **West Midlands** ranked 3rd highest in terms of total FDI projects while the **East Midlands** ranked 3rd lowest across all UK regions in terms of total projects.

Projects across all UK regions, 2022-2023:

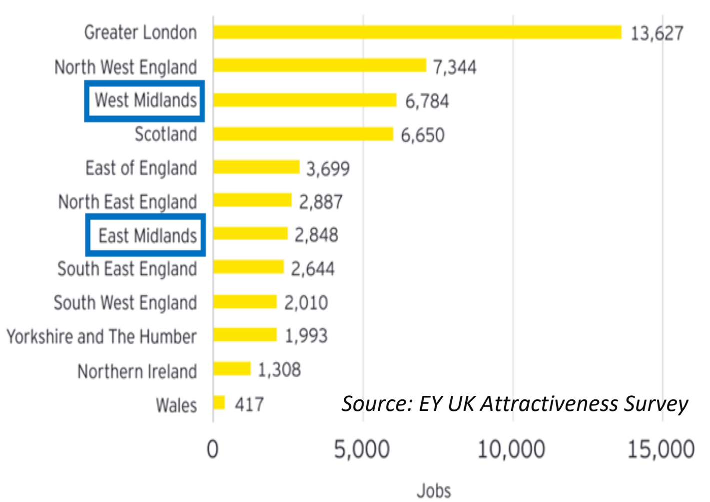


Top 10 regions by FDI projects in 2023 — ranking, number of projects and jobs, change 2023 vs 2022:

#	Region	Number of projects in 2023	Number of projects in 2022	Change 2022/23	Number of jobs in 2023
1	Greater London	359	299	+20%	13,627
2	Île-de-France	300	326	-8%	8,339
3	North Rhine-Westphalia	197	277	-29%	3,773
4	Auvergne-Rhône-Alpes	167	154	+8%	4,163
5	Flemish Region	145	160	-9%	4,293
6	Scotland	142	126	+13%	6,650
7	West Midlands	127	74	+72%	6,784
8	Bavaria	126	150	-16%	792
9	Grand Est	119	95	+25%	5,576
10	Catalonia	118	83	+42%	7,506
	All others	3,894	4,218	-8%	258,420
	Total	**5,694**	**5,962**	**-4%**	**319,923**

The **West Midlands** ranked 7th in terms of top regions across Europe for FDI by number of projects in 2023. Despite having fewer projects, the **West Midlands** ranked higher than Scotland in terms of employment , recording 6,784 jobs in 2023, a rise of 9.2% on 2022. In the same year, the **East Midlands** recorded 2,848 jobs from FDI bringing the total to 9,632 jobs in the **Midlands**.

Employment announced by FDI projects by UK region:



Investment in UK Cities

Turning to the UK's leading city locations for FDI, the performance of the **West Midlands** in securing a decade-high number of projects in 2023 fed through to an even stronger showing by **Birmingham**. The city recorded a rise of 139% on 2022 to a record 67 projects in 2023, second only to London and more than double the total achieved by any other UK city. **Birmingham**'s success was driven by the technology sector, with the city recording a 50% rise in digital FDI projects in 2023 compared to 2022. Three other cities in the **Midlands** ranked in the top 16 UK cities in terms of largest recipients of investment (excluding London). **Warwick** ranked 9th with 12 projects, **Coventry** ranked joint 11th with 10 projects and **Leicester** ranked 16th with 7 projects.

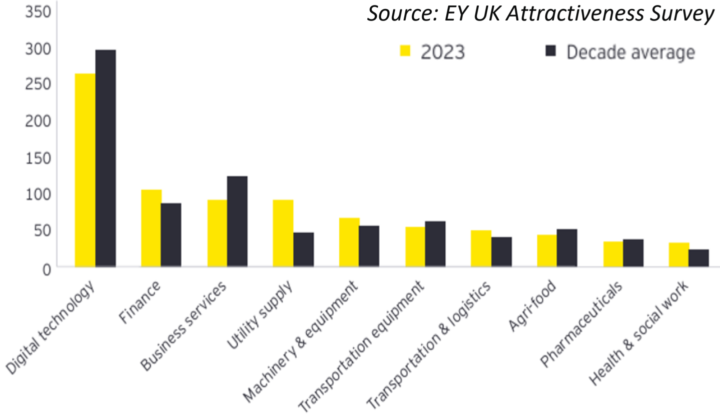
UK Attractiveness Survey

Investment by Sector

Digital remained the leading sector for generating FDI projects in the UK, with a 9% rise from 234 in 2022 to 255 projects in 2023. This was the highest total of any country in Europe, giving the UK a 26.7% share of all European digital technology projects. In second place was the finance sector, up by 42.1% to 108 projects. **UK financial services FDI maintained its strong run of recent years in 2023, with the UK's 32.8% share of all finance project announcements made across Europe representing a significant increase on its 26% share in 2022.** This was followed by business services and utility supply, both with 92 projects. Of the other sectors generating the largest numbers of UK investment projects, machinery and equipment (67 projects), transportation and logistics (51), and health and social work (33) all recorded project numbers above their sector averages for the decade. Health and social work projects in the UK secured 47.1%. of the projects made into Europe in the sector.

UK investment projects by sector

Source: EY UK Attractiveness Survey



FDI Activity

The most common activity for UK FDI in 2023 remained business services in all forms. Projects in this category increased by 35.6% in 2023 to 392, meaning the UK secured 21.1% of all European business services projects. **Sales and marketing projects were the UK's second largest type of FDI activity in 2023, with these projects increasing by 67.5%,** compared to 2022, to 206, giving the UK a European market share of share of 24%. By contrast, other activities recorded declines in UK projects in 2023 compared to the previous year. **Manufacturing projects fell by 14.3%,** resulting in the UK recording a market share of 8.6% in 2023 compared to a decade-long average share of 9.9%. **Logistics projects slipped by 4.8% from 82 in 2022 to 78 in 2023.** The number of HQ projects in the UK fell by 33.8% in 2023 - however, the number of HQ projects fell more quickly across Europe as a whole, meaning the UK's market share increased to 39.5%. The sharpest annual decline among UK project activities in 2023 was in R&D, where projects fell by 44%.

Origins of Investment

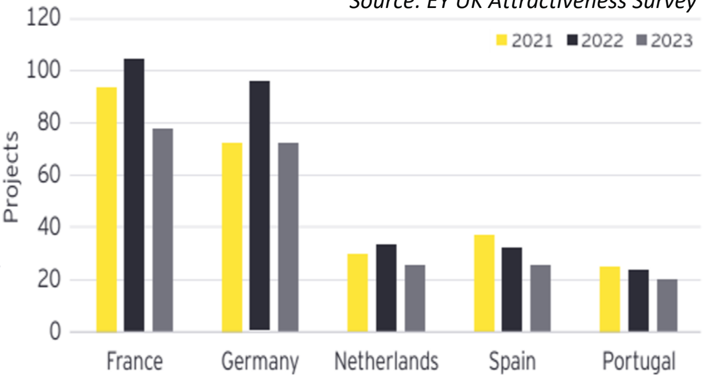
The United States is still the UK's biggest inward investor, contributing 218 projects accounting for 20.6% of all UK projects in 2023. US projects into the UK have now fallen four years in succession, but still account for a higher share than in Europe overall, where 18.6% of projects originate from the US. And while US investments into Europe as a whole are on a downward path, the UK is continuing to attract a disproportionately large share. India, for the second year running, was the second largest country of origin into the UK – contributing 76 projects in 2023.

UK Outbound Investment

Outbound projects from the UK jumped initially after the Brexit referendum, before falling back in the pandemic-affected year of 2020. Since then, they had been increasing year on year. However, this rising trend went into reverse in 2023, when UK outbound projects declined by 26.7%.

Top destinations of UK outbound investment 2021-2023:

Source: EY UK Attractiveness Survey



Investor perceptions

The UK was cited by just 25% of executives when asked for the top three most attractive European countries for FDI, compared to 32% in 2023 and 44% in 2022. This deterioration means the UK remains in third place behind France on 34% and Germany on 29%, with all three countries seeing their attractiveness score decline in 2024. Despite this, a breakdown of investors by sector shows that executives in key industries like financial services (40%) and business services (31%) still view the UK as having a very attractive FDI offering. Furthermore, 69% of investors surveyed said they were planning on investing in the UK in 2024 –up from 65% last year. Despite this, **the Midlands recorded poor results in terms of planning new or expanding operations in the next 12 months with 5% of responses planning projects in the West Midlands and only 3% in the East Midlands (the lowest of any UK region).** Expectations of the UK's attractiveness over the next three years have improved, with 59% believing the UK's attractiveness will increase, compared to 48.6% in 2023.

Perceived Risks

When investors are asked to cite the main risks that they foresee affecting the UK over the next three years, economic factors dominate - with the two biggest perceived risks by a wide margin being high interest rates (59%) and high inflation (56%). By contrast, when asked about the main economic risks to investments across Europe, rising **regulation heads the list (cited by 41%), followed by volatile energy prices and/or supply issues (34%) and political instability in Europe (33%).**

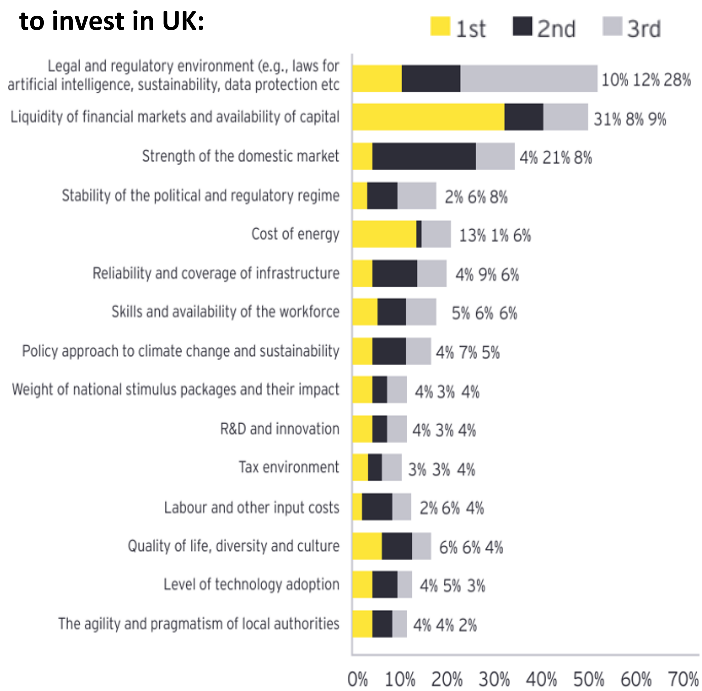
Favourable Investment Criteria

When choosing to invest in the UK, investors say they place particular weight on the **quality of its legal and regulatory environment (cited by 50%), the liquidity of its financial markets and availability of capital (48%), and the strength of its domestic market (33%).** However, the UK is less favoured in areas such as the tax environment, its national stimulus packages, and its conduciveness to R&D and innovation.

Sustainability

Sustainability, ESG and cleantech investment remain major agenda items for investors into the UK. From the survey, 60% believe the UK does better than other European FDI locations on the proportion of renewables in the power supply, second only to Lithuania on 64%. **The UK also performs strongly on having an ecosystem of cleantech and sustainability businesses, with its score of 42% putting it among the top countries in Europe**. The UK also polls strongly on funding to finance sustainability projects, with 46% believing the UK does better than its European peers in this area.

Factors which are the most important when choosing to invest in UK:



Looking Ahead

Tech and financial services are still expected to be the main drivers of UK growth. While financial services secured the top spot for first-place answers, with 16% ranking it as the sector with the greatest influence on UK growth, digital technology secured the largest overall vote in net terms, with a combined total of 44% of investors rating it in their top two. Investors are establishing and expanding operations where they are incentivised to pursue R&D, to seize new technological opportunities and reduce their costs - but experiences vary across sectors.

Policy Priorities

The tech sector has consistently - and increasingly - highlighted two factors as being defining attributes of the UK: the robustness of its legal and regulatory environment (48%) - including the regulations and laws around artificial intelligence and data protection - and the UK's liquidity of financial markets and availability of capital (46%). The industrial sector shares many investment criteria with the tech sector; however, the sector also places emphasis on the strength of the domestic market as well as the reliability and coverage of infrastructure such as transport and energy. The finance sector places a similarly high emphasis on liquidity and access to capital — cited by 44% of finance respondents. Meanwhile, the factors highlighted by the consumer products sector also includes some outliers that it values more highly than other sectors. For example, 20% of consumer products investors see quality of life, diversity, and culture as important — and 24% regard the level of technological adoption as critical when deciding to invest in the UK.

Investment and Competition

When asked where the UK government should focus its efforts to maintain the UK's competitive position in the global economy, investors point strongly to **support for high tech industries and innovation,** a policy goal highlighted by 46% of respondents. With investors also signalling the need **for support for SMEs (37%) and a focus on R&D (33%).** Looking at the second tier of policy actions that investors think will fuel the competitive position of the UK globally, the survey finds that these include **reducing taxation (25%); controlling inflation, which has moved up the agenda in recent years,** with 16% mentioning it in 2024; **supporting access to credit (14%); and some emerging concerns amid a global context of rising protectionism, with investors citing a need to relax competition rules (13%) and protect supply chains and 'industrial sovereignty' (8%).**

Source: EY UK Attractiveness Survey

Local Business and Policy Intelligence By Sector

SECTOR	KEY INSIGHTS
Construction	• **Monthly construction output is estimated to have grown by 1.9% in volume terms in May 2024; this follows a fall of 1.1% in April 2024 (revised from a fall of 1.4%).** The increase in monthly output came from increases in both new work (2.7%), and repair and maintenance (0.8%); anecdotal evidence from survey returns noted that warmer weather contributed to increased output in May.
Retail, Hospitality and Tourism	• Retail sales volumes (quantity bought) are estimated to have **fallen by 1.2% in June 2024, following a rise of 2.9% in May 2024. Sales volumes fell across most sectors, with department stores and clothing retailers broadly returning to their Quarter 1 (Jan to Mar) 2024 levels. With inflation now back at the Bank of England's 2% target and pay growth remaining much higher, household finances are receiving a strong boost. And given recent survey evidence suggests consumer sentiment is gradually improving, the EY ITEM Club thinks a durable increase in spending is in prospect over the coming years.** • The British Beer and Pub Association estimates that almost 20 million more pints have been enjoyed during the Euros, valued at more than £93 million in extra sales, a welcome boost to Midlands pubs. • In spite of craft beer companies facing notable challenges in recent years, the wider brewing industry is still doing well and the industry has seen a steady increase in active companies over the past decade, which at the end of 2023 reached 1,623. **However, there has been a drop in the investment being made into breweries in 2023.** • Beauhurst have investigated the most valuable suppliers and manufacturers in sportswear, equipment, and activetech. The East Midlands has 141 companies (7.5% of the UK total), including top company Speedo. The West Midlands is home to 151 companies, (8% of the UK total), and home to GymShark which is worth over £1bn and has contributed £87.5m to the UK economy. • **Birmingham has won its bid to be the host city** of the July 2027 **Invictus Games.**
Manufacturing	• **Optimism among manufacturers fell slightly in July, after rising in April for the first time in nearly three years,** according to the CBI's latest quarterly Industrial Trends Survey. **Output volumes were broadly unchanged** in the quarter to July, following a similar result in the three months to June, and under-performed expectations for modest growth. However, **manufacturers continue to expect output to increase over the next three months, with growth expectations the strongest since March 2022.**
Transport Technologies	• In a bid to support aerospace research and development (R&D) projects for sustainable travel, **the UK Government has announced more than £100m in funding for new-technology projects such as zero-emission hydrogen flight and sustainable propulsion systems.** The funding will be delivered through the Aerospace Technology Institute (ATI) Programme for five aerospace R&D projects. • Rolls-Royce has launched a new research programme, in collaboration with Tata Consultancy Services (TCS), to **explore the use of hydrogen as a zero-carbon aviation fuel**. This initiative aims to address three present challenges to **using hydrogen as a low-carbon aviation fuel, including fuel combustion, fuel delivery and fuel systems integration with an engine.**
Environmental Technologies	• The latest Climate Change Committee's (CCC) annual progress report to the UK Parliament on its net-zero transition emphasises that **only one-third of the emissions reductions the UK must deliver to achieve its legally binding 2030s targets are backed with credible policies**, with particularly weak plans in sectors other than electricity generation. The UK's new Labour government must urgently reinstate the net-zero plans shelved by its predecessor in order to "limit the damage" caused by the previous government's policy rollbacks. • **Planning barriers to onshore wind development have been lifted** by the new Government. However, challenges with supply chains and skilled workers remain. Developers are also grappling with supply chain inflation and grid connection delays. • Great British Energy announced plans to use Crown Estate owned British seabed to build windfarms. • New research in Oxera's 'Growth Zero: Reframing net zero as a driver of growth' report has found that **'supercharging' net-zero policies could unlock nearly £765bn between now and net-zero**, while accelerating decarbonisation in line with legally binding targets.
Digital / Tech	• **The UK and 90 other countries have negotiated a set of new rules designed to make global trade faster, fairer, cheaper and more secure.** Once in force the E-Commerce Joint Initiative will permanently ban customs duties on digital content, lower costs for UK businesses and help protect UK consumers from online fraud. • **The majority of SMEs are still not using artificial intelligence,** despite a growing acceptance by businesses that it will help boost productivity. Research carried out by the British Chambers of Commerce reveals 43% of firms have no plans to use AI technology.

PwC's Framework for Growth

PwC's Framework for Growth explores priorities for a renewed UK strategy. The report highlights that compared to other G7 economies, **UK growth has broadly flatlined** since the pandemic and is struggling to return to its historical trend. Real GDP growth between Q4 2019 and Q1 2024 shows the UK (1.7%) **is lagging behind all but Germany** (0.3%) and this prolonged period of flattened growth is set against the backdrop of the UK's long-term challenge to improve productivity. In 2023, the **UK economy lost approximately £90bn** as a result of not returning to the 2009-19 growth trend. If the UK continues to grow at the 2022 to 2023 rate, **PwC estimate the UK will miss out on £2.1trillion of GVA over the 12-year period** (compared to 2009-19 rate). However, addressing the systematic challenges that continue to hold back UK businesses is not simple. **There are overlapping factors that impede UK businesses' growth and productivity.** PwC has launched the Framework for Growth to better understand how different interventions can impact the UK's sectors and regions and set the right foundation for a renewed, long-term industrial strategy for the UK economy.

PwC's Framework for Growth:

	Component	Description
1	Skills, education and talent	The infrastructure for developing and enhancing the skills and knowledge of the UK's population, encompassing: formal education, vocational training, apprenticeships and lifelong learning.
2	Innovation ecosystem	The network and environment that fosters and supports the development of new ideas, technologies and processes. Includes: research, entrepreneurship, collaboration and funding.
3	Sustainability and environmental considerations	Practices and policies that promote the resources, minimise environmental impact, and address climate change. Includes initiatives to: reduce carbon emissions, conserve energy, promote renewable energy sources and protect ecosystems.
4	Regional development and social inclusivity	Initiatives that promote balanced growth and equal opportunities across regions and communities, addressing regional disparities and ensuring evenly distributed access to resources and opportunities.
5	Infrastructure and planning	The development and management of physical structures, services and systems to support the needs of businesses and communities. Includes: transportation networks, utilities, buildings and public spaces.
6	Trade policy and promotion	The strategies and activities aimed at aiding international trade and encouraging growth. Includes the formulation of policies and agreements to support exports, attract investment and enhance market access.
7	Cyber security and resilience	Protection against and responses to cyber threats and ensure the continuity of digital systems. Includes approaches to safeguard information, networks and infrastructure from unauthorised access, data breaches and disruptions.
8	Digital transformation	The process of adopting and integrating technologies and strategies to enhance business operations, improve efficiency and deliver better services.
9	Private sector investment	The allocation of funds into various business ventures. It includes investments in startups, established businesses and infrastructure. The aim is to generate financial returns, stimulate growth and/or productivity, and create employment opportunities.
10	Tax and regulation competitiveness	Policies and measures implemented by governments to create favourable conditions that attract private sector investment and encourage economic growth.

Source: PwC's Framework for Growth

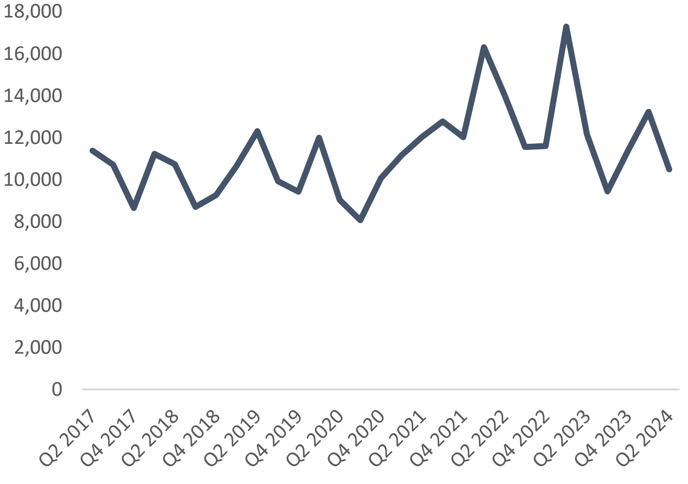
PwC research suggests there is a potential GVA uplift by 2023 in skills, education & talent by £230bn, digital transformation by £65bn, infrastructure & planning by £354bn, sustainability & environmental consideration by £6bn, trade policy & promotion by £184bn and innovation ecosystems by £85bn.

Local Business Births and Deaths

The latest experimental low-level geographic analysis on business births and deaths was released by the ONS in July 2024, highlighting that business births and deaths had decreased on the quarter. However, business births were back above the business deaths figures. When compared to the same period in the previous year, deaths have decreased, and births have increased.

In Q2 2024, there were **10,480 business deaths in the Midlands Engine geographic area, a decrease of 20.7% from the previous quarter (Q1 2024),** compared to a 14.0% decrease nationally. Also, Q2 2024 deaths figures are lower (-13.8%) than the same quarter a year ago (Q2 2023) and this reflects the national picture where deaths decreased by 10.2%. For the Midlands Engine area, the latest quarterly figures when compared across all quarters since Q1 2017 shows this was the eleventh lowest recorded figure (a significant drop where Q1 2024 is fourth highest).

Trends in Midlands Engine business deaths:



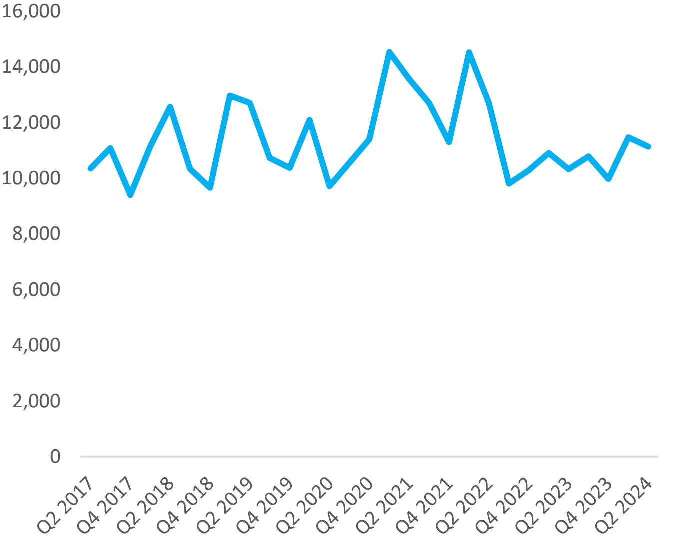
Across the Midlands Engine local authorities, when compared to the previous quarter (Q1 2024), business deaths in 47 local authorities decreased, 3 remained unchanged and 15 increased. When compared to the same quarter in the previous year (Q2 2023) there were 53 local authorities that decreased, 5 remained unchanged and 7 increased.

National data for main industrial groupings shows when compared to Q2 2024, there were decreases in 14 of the 16 main groups for business deaths and the most significant fall was in the transport and storage industry (down 30.9%) and within this industry, unlicensed carriers had the largest drop.

Regarding business births, there were 11,135 in the Midlands Engine geography in Q2 2024. This was a decrease of 2.9% from the previous quarter (Q1 2024), compared to a 3.4% decrease nationally.

When compared to Q2 2023, business births were 7.9% higher in the Midlands Engine area, reflecting national trends (+6.9%).

Trends in Midlands Engine business births:

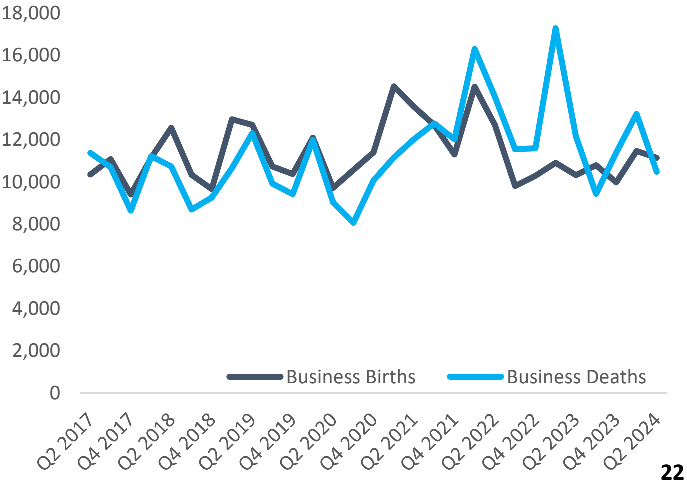


Across the Midlands Engine local authorities, when compared to the previous quarter (Q1 2024), business births in 24 local authorities decreased, 13 remained unchanged and 28 increased. When compared to the same quarter in the previous year (Q2 2023) there were 19 local authorities that decreased, 9 remained unchanged and 37 increased.

Nationally, the number of business creations increased in 14 out of 16 main industrial groups during this quarter compared with Q2 2023. The most significant increase came in the business administration and support services industry, where business creations were up by 36.3%

After two quarters where there were more business deaths than business births in the Midlands Engine, the latest quarter shows 655 more births than deaths .

Quarterly trends in Midlands Engine business births and deaths:



Beauhurst Business Growth Score

This year, Beauhurst undertook deep analysis of UK councils to create [The Local Growth Index](), the UK's first-ever local business data encyclopedia. In it, they put together a data profile on every local authority across the whole of the UK. In the book, explores what every local council is doing on essential matters such as **growth, innovation and trade**. They have also used this data to **rank all the councils using a [Business Growth Score]()**.

Business Growth Score Overall Findings:
While the City of London came third in the list, there were five London councils at the bottom. Often in the data analysis, London comes out on top. For example, in the Equity Market Update for Q1 2024, Beauhurst saw that London secured 47.1% of deals (227) and 59.9% of the total amount invested for that quarter. This could suggest that the investment and wealth creation we're seeing in London is widely **skewed** by London's Square Mile.

Economic growth is actually spread much more diversely when we add proportionality into the equation, as you can see from the map. When we adjust for business population size, economic activity, and other relevant factors, it becomes apparent that **wealth creation is more diversified across different regions.** This suggests that while the City of London is a powerhouse of economic activity, other areas, both within and outside of London, **contribute significantly to our overall economic landscape**

Top Midlands Engine performing areas include **Bolsover and North Warwickshire** which appears in the **top 5 areas** with a score of 29.65 and 28.11 respectively:

Source: Beauhurst

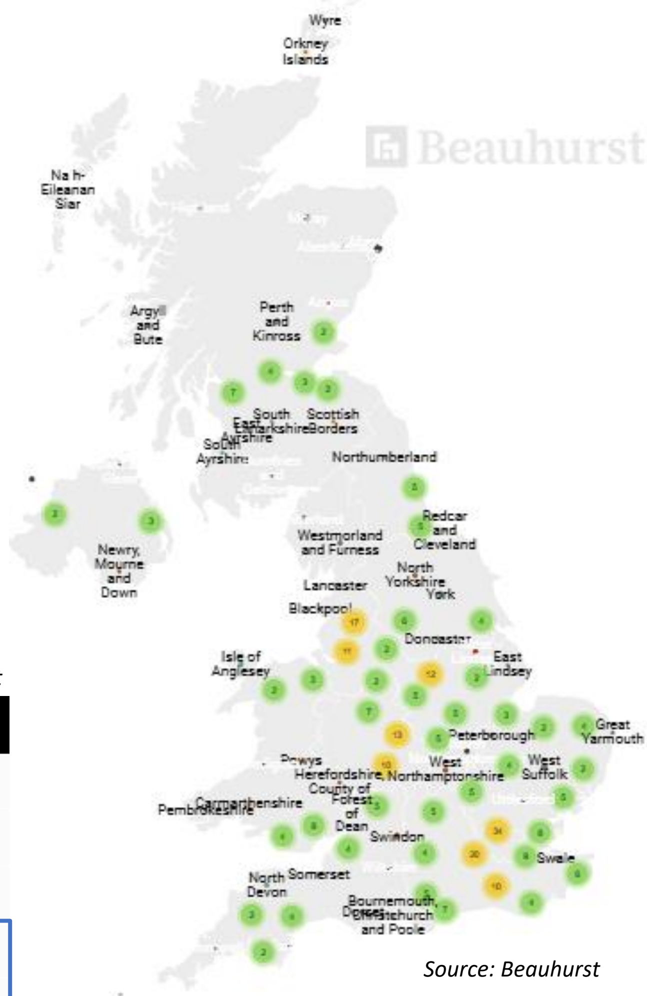
Councils	BGS	Fundraisings	Grantees	Employees	Active companies
Runnymede	91.19	5	5	652999	7173
Welwyn Hatfield	78.70	6	2	622783	7930
City of London	48.27	332	57	2733906	56782
Bolsover	29.65	1	1	81120	2752
North Warwickshire	28.11	4	0	97284	3479

There were no areas from within the Midlands Engine area that were in the bottom five:

Source: Beauhurst

Councils	BGS	Fundraisings	Grantees	Employees	Active companies
Redbridge	2.36	6	2	85708	40659
Enfield	2.34	13	4	7578	35803
Lewisham	2.28	9	6	35629	17401
Barking and Dagenham	1.93	1	4	33799	21012
Haringey	1.93	12	10	28698	3479

Business Growth Score (click on the map to go on the online interactive version from Beauhurst):



Source: Beauhurst

Other high performing Midlands Engine areas:

- Ashfield: 18.8
- Lichfield: 16.32
- North West Leicestershire: 15.39
- Stafford: 13.25
- Chesterfield: 12.61
- Melton: 11.91
- Solihull: 11.76
- Redditch: 11.71
- Warwick: 10.56

The Business Growth Score is calculated using a Beauhurst-designed formula. Several metrics are combined to generate the final Business Growth Score, using data between 1st May 2023 and 1st May 2024. The metrics: number of new companies (established), number of scaleups (the number of companies that have achieved significant growth), number of fundraising events (the number of successful fundraising events completed by companies in the area), number of grantees (the number of companies that received grants, number of employees (the total number of employees in the area, number of active companies - the number of active companies as of 1 May 2024). To accurately reflect business growth, the scoring formula takes into account the overall business activities in relation to the number of active companies.

Business Insights and Impact on the UK Economy

ONS have published the final results from Wave 112 of the [Business Insights and Conditions Survey (BICS)](#).

Financial Performance

21.0% of West Midlands businesses and 23.8% of East Midlands businesses reported that turnover in June 2024 when compared to the previous month had increased. While 26.6% of West Midlands businesses and 27.3% of East Midlands businesses reported turnover had decreased.

25.9% of West Midlands businesses and 24.6% of East Midlands businesses expect turnover to increase in August 2024. While 13.9% of West Midlands businesses and 14.5% of East Midlands businesses expect turnover to decrease.

Demand for Goods and Services

12.7% of West Midlands businesses and 11.6% of East Midlands businesses reported that domestic demand for goods and services in June 2024 when compared to the previous month had increased. 18.2% of West Midlands businesses and 18.0% of East Midlands businesses reported a decrease.

4.2% of West Midlands businesses and 5.0% of East Midlands businesses reported that international demand for goods and services in June 2024 when to the previous month had increased. 6.8% of West Midlands businesses and 6.3% of East Midlands businesses reported a decrease.

Global Supply Chain Disruption

5.9% of West Midlands businesses and 5.1% of East Midlands businesses experienced global supply chain disruption in June 2024. With 52.4% of West Midlands businesses and 50.0% of East Midlands businesses citing the main reason for disruption was the conflict in the Middle East.

Trade

24.0% of West Midlands businesses and 24.4% of East Midlands businesses both exported and imported in June 2024. 2.8% of West Midlands of 2.9% of East Midlands businesses exported only and 13.5% of West Midlands businesses and 11.8% of East Midlands businesses imported only.

Main Concern for Business

20.5% of West Midlands businesses and 22.8% of East Midlands businesses cited **falling demand of goods and services as the main concern for business** for the upcoming month.

Recruitment Difficulties

18.0% of West Midlands businesses and 20.1% of East Midlands businesses reported **experiencing difficulties in recruiting employees** in June 2024.

Number of Employees

16.4% of West Midlands businesses and 16.7% of East Midlands businesses expect the number of employees in August 2024 to increase. 7.5% of West Midlands businesses and 7.6% of East Midlands businesses expect the number of employees to decrease.

Worker Shortage

16.6% of West Midlands businesses and 19.3% of East Midlands businesses are currently experiencing a shortage of workers. While 67.4% of West Midlands businesses and 66.2% of East Midlands were not.

Insolvency

6.0% of West Midlands businesses and 7.0% of East Midlands businesses were at moderate risk of insolvency (for the East Midlands, 1.0% were at severe risk). 45.5% of West Midlands businesses and 41.6% of East Midlands businesses reported low risk of insolvency. **38.9% of West Midlands businesses and 39.7% of East Midlands businesses had no risk of insolvency.**

Cash Reserves

6.7% of West Midlands businesses and 7.6% of East Midlands businesses had no cash reserves / less than 1 month. 26.1% of West Midlands businesses and 26.8% of East Midlands businesses had between 1 to 6 months. **47.2% of West Midlands businesses and 45.8% of East Midlands businesses had over 6 months of cash reserves.**

Supply Chains

82.5% of West Midlands businesses and 81.5% of East Midlands businesses were able to get the materials, goods or services it needed from within the UK in June 2024. A further 3.7% of West Midlands businesses and 4.0% of East Midlands businesses were able to get materials, goods or services from within the UK but by changing suppliers or finding alternative solutions. 3.1% of West Midlands businesses and 3.3% of East Midlands businesses were not able to get the materials, goods or services needed from within the UK.

Overall Performance

23.6% of West Midlands businesses and 22.1% of East Midlands businesses reported that their overall performance in June 2024 when compared to the same period in the previous year had increased. 22.7% of West Midlands businesses and 23.2% of East Midlands businesses reported performance had decreased.

41.0% of West Midlands businesses and 38.0% of East Midlands businesses expect overall performance to increase over the next 12 months. While 6.7% of West Midlands businesses and 7.6% of East Midlands businesses expect performance to decrease.

Please note – the survey reference period: 1st to 30th June 2024. Survey live period: 1st to 14th July 2024. The response rates are low and the data is unweighted and should be treated with caution.

4. The Green Economy

Midlands Greenhouse Gas Emissions

The Department for Energy Security and Net Zero have released local data relating to greenhouse gas emissions up to the 2022 period. The following provides headline findings for the Midlands Engine area.

Carbon Dioxide

In 2022, the Midlands Engine area produced a total of 56,956 Kt carbon dioxide (CO_2e) emissions. Emissions in the Midlands Engine area were equivalent to 5.4 tonnes CO_2e per capita, compared to 4.5 tonnes CO_2e per capita in the UK. Emissions were equivalent to 2.1 KtCO_2e per km^2 in the Midlands Engine area, compared to 1.2 KtCO_2e per km^2 in the UK.

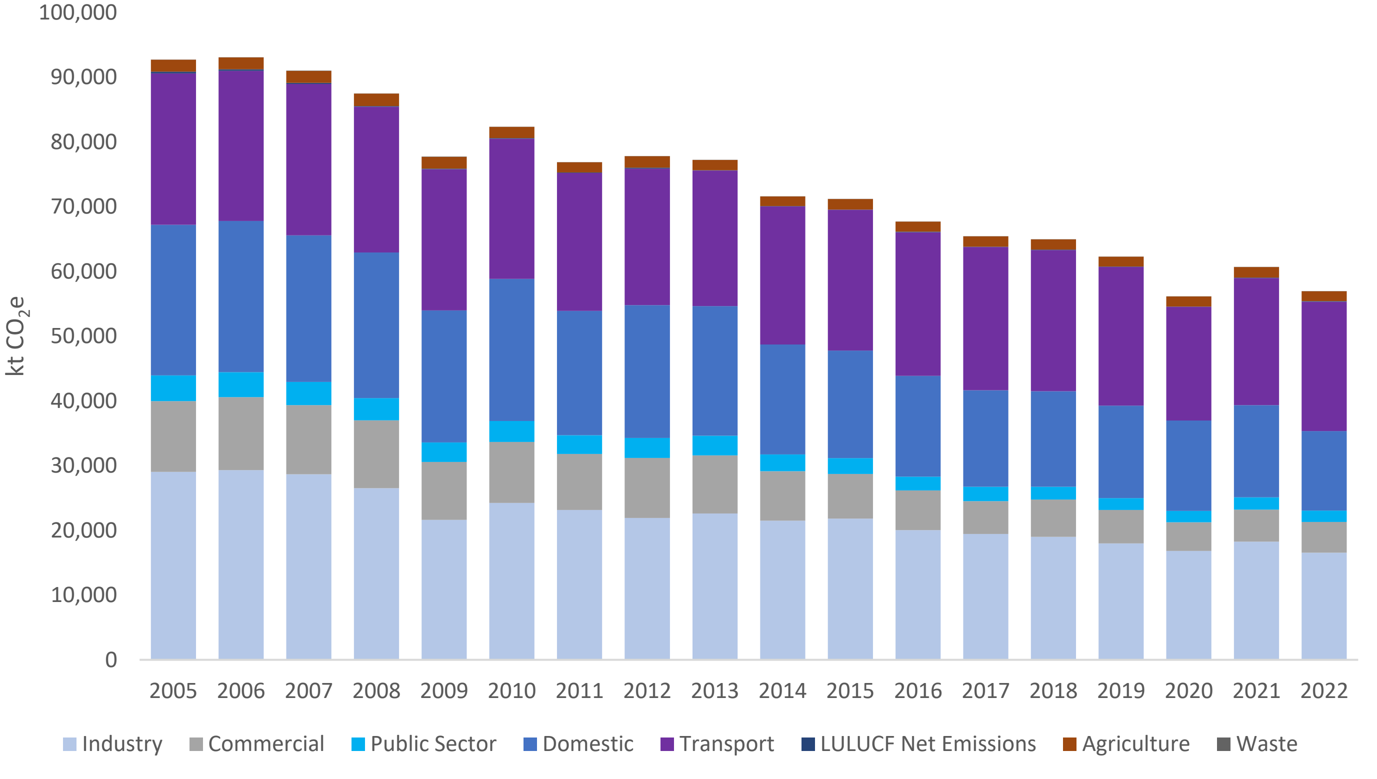
Since 2021, carbon dioxide emissions for the Midlands Engine area **decreased by 6.2%** (- 3,735 Kt CO_2e,) while UK-wide there was a decrease of 5.8%. Longer term (since 2005), the Midlands Engine area decreased by 38.6% while the UK decreased by 43.4%.

In 2022, 85.7% of Midlands Engine carbon dioxide emissions came from three main sectors:

- **19,964 Kt CO_2e** (35.1% of total vs 37.5% in UK) in the **transport sector**
- **16,540 Kt CO_2e** (29.0% of total vs 19.8% in UK) in the **industrial sector**
- **12,288 Kt CO_2e** (21.6% of total vs 26.9% in UK) from **domestic sector**

As well as 11.4% of carbon dioxide emissions coming from either commercial or public sector (UK 14.7% of total). The remaining 2.9% of emissions related to Land Use, Land Use change and Forestry Sector (LULUCF), agriculture and waste sectors (UK 1.1%).

Trends in carbon dioxide emissions by sector in the Midlands Engine area:



Methane

In 2022, the Midlands Engine produced a total of **7,881 kt CO2e of methane emissions**. This has decreased by 88 kt CO2e (-1.1%) since last year, compared to a decrease of 1.2% across the UK. Since 2005, methane emissions reduced by 1,810 kt CO2e (-18.7%, UK -44.1%).

Nitrous Oxide

In 2022, the Midlands Engine area produced a total of **2,760 kt CO2e of nitrous oxide emissions**. This has decreased by 146 kt CO2e (-5.0%) since last year, compared to a decrease of 4.7% across the UK. Since 2005, nitrous oxide emissions reduced by 300 kt CO2e (-9.8%, UK -20.5%).

Navigating the green transition

A report by [The Centre For Progressive Policy] explores the extent to which different areas are ready to capitalise on the economic opportunities of the green transition, based on the current skills profile of their workforces.

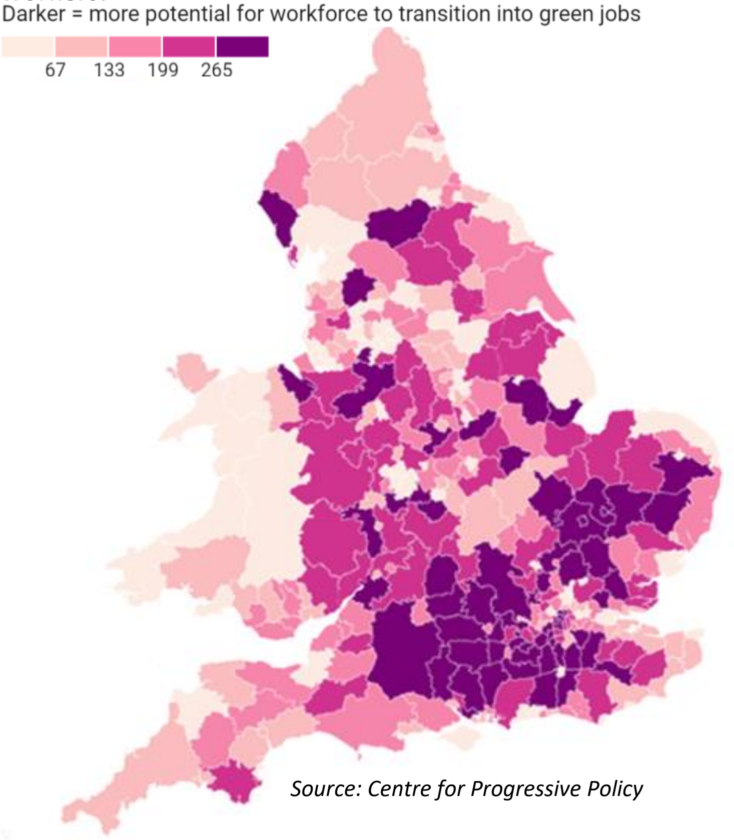
Regional imbalance in worker's potential
Workers who could most easily be retrained into green jobs are spread unequally across the country. **At the regional level, London and many parts of the Midlands show less potential for developing workers to work in all green occupations, unlike areas such as Wales and the East of England**. At the subregional level, many of the areas with strong potential for developing workers in both these categories sit outside of mayoral-metropolitan areas. **Many of the areas that demonstrate the highest level of potential for developing green "increased demand" workers – including Boston and South Holland - are former industrial heartlands and poorer rural areas.**

Pay differences
Pay differences between non-green jobs and different types of green job will impact on workers' incentives to switch jobs. This will make the green transition relatively easier in places like Nottingham but harder in places like South Staffordshire and South Derbyshire.

Retraining
There is no correlation between the share of workers who could most easily be retrained, high deprivation, and/or low productivity. **There are a handful of exceptions with both high potential for developing new green workers, and relatively high levels of deprivation or low productivity. These are the places where a green jobs-led inclusive growth plan is most feasible, including North East Lincolnshire** and **Leicester**. Workers who could most easily be retrained into green new and emerging jobs tend to live in less-deprived areas.

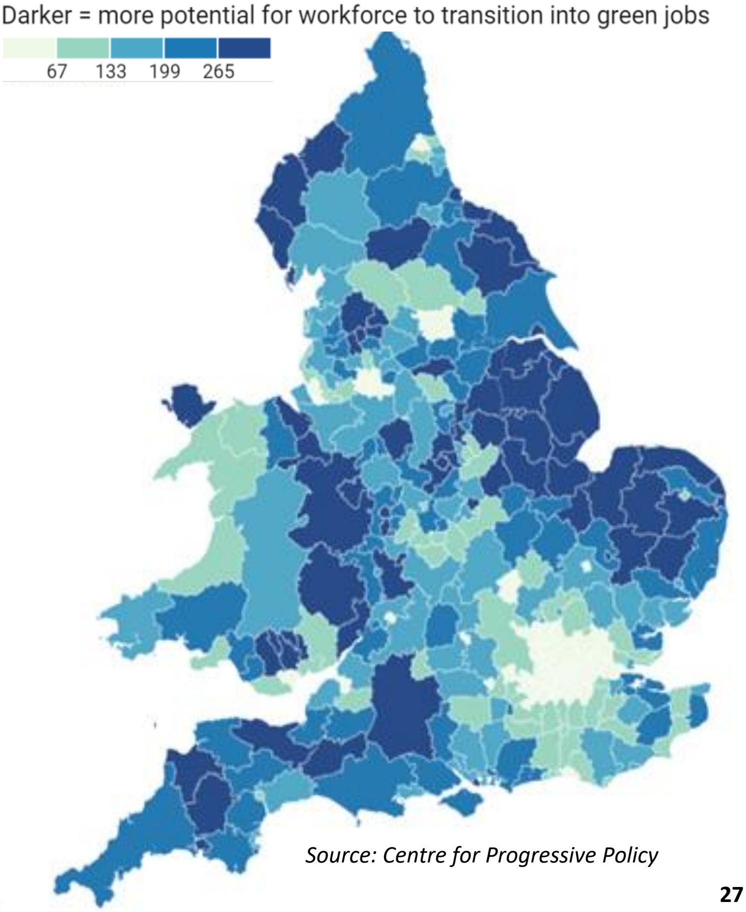
The Green Economy Today
Where green economy workers live today is only partly useful for understanding where the green economy workers of tomorrow are likely to live. Areas with a high concentration of workers employed in green increased demand jobs – such as **Boston** and **South Holland** – tend to have a wider pool of workers with similar skillsets. Yet, there is no correlation between areas with high concentrations of workers currently employed in green new and emerging jobs and areas identified as having high concentrations of workers with the potential to transition to green new and emerging jobs.

Opportunity ranking: Potential green new and emerging workers:



Source: Centre for Progressive Policy

Opportunity ranking: Potential green increased demand workers:



Source: Centre for Progressive Policy

Navigating the green transition

Green increased demand

The impact of green economy activities and technologies can increase employment demand for some existing occupations. By region, **the East Midlands** has the highest concentration across England of potential workers for increased demand roles, while the **West Midlands** ranks 4th. **By combined authority area, the East Midlands MCA ranks 6th across England and the West Midlands MCA ranks 8th.**

Key areas for increased demand jobs

Boston, South Holland and North Lincolnshire all rank in the top 10 local authorities across England in terms of highest concentrations of potential green increased demand workers. Boston ranks highest across the country, South Holland is ranked 3rd highest and North Lincolnshire ranks 8th. **There are no Midlands local authorities in the bottom 10 for lowest concentration of potential green increased demand workers.**

Green increased demand and potential wage incentives

After factoring in potential wage incentives, Boston, South Holland, Leicester and North East Lincolnshire rank in the top 10 local authorities for potential green increased demand workers. After factoring in wages, Nottingham's ranking increased by more than any other local authority (+172). However, South Staffordshire (-150), South Derbyshire (-145), Bromsgrove (-139), and Malvern Hills (-104) all rank in the top 10 local authorities with the largest drop in their ranking.

Green new and emerging

The impact of green economy activities and technologies creates the need for unique work and worker requirements, which results in new occupations. By region, the **East Midlands ranks 5th** and the **West Midlands** ranks 6th in terms of concentration of green new and emerging roles. **By combined authority area, the West Midlands MCA ranks 11th and the East Midlands MCA ranks 12th.**

Key areas for green new and emerging

There are no local authority areas in the Midlands in the top 10 in England with the highest concentration of potential green new and emerging workers. However, Nottingham and Stoke-on-Trent both rank in the bottom 10 local authorities.

Green new and emerging and potential wage incentives

After factoring in potential wage incentives, Boston, South Holland, North East Lincolnshire and North Lincolnshire rank in the top 10 local authorities in England for potential green new and emerging jobs. After factoring in wages incentives, Leicester (+273), Lincoln (+248) and Sandwell (+230) rank amongst the top 10 local authorities with the largest increase in ranking.

Areas that demonstrate high levels of opportunity to develop green increased demand occupations that are also among the 20% most deprived local authorities in England:

Local Authority	Green increased demand rank (highest opportunity = 331)
Pendle	330
Barrow-in-Furness	327
North East Lincolnshire	319
Leicester	310
Great Yarmouth	309
Kingston upon Hull, City of	307
Burnley	305
Hyndburn	303
Blackburn with Darwen	301
East Lindsey	289
Lincoln	288
Hartlepool	287
Barnsley	281
Redcar and Cleveland	280
Wolverhampton	269

Source: Centre for Progressive Policy

Lessons for policy

The report identifies lessons relevant to the current public policy debate around the green transition, industrial strategy, and regional policy:

- **There will be no "one size fits all" for national policy in the green labour market transition.**
- Where the prospects for the green economy boosting productivity and good job creation in an area are less promising, industrial strategy should actively focus on other supporting areas to specialise in other high-value added sectors.
- **Green jobs will not automatically bring the biggest benefits to the poorest communities. Overall, there is no link between high deprivation, low productivity and green job potential.**
- Local wages matter. Policy may need to focus on how we can better incentivise the reallocation of workers from non-green sectors to green sectors - even where that means making it harder for other sectors to thrive.
- Higher levels of internal migration will matter for ensuring "green growth everywhere". A successful green industrial strategy for the UK may need to think through how to better **incentivise internal migration across regions and subregions, to fill local vacancies and develop the green industrial capacity of different areas.**

Environmental, Social, and Governance Companies

ESG stands for Environmental, Social, and Governance, and it represents a set of criteria used to evaluate the sustainability and ethical impact of a company. The environmental aspect examines a company's impact on the climate, resource use, pollution, and biodiversity. The social component looks at employee relations, human rights, community impact, and product responsibility. Governance evaluates corporate governance structures, ethical conduct, executive compensation, and shareholder rights. ESG criteria help investors identify companies with sustainable and ethical practices, potentially leading to better long-term financial performance and lower risk.

The Top UK Regions for ESG Companies

In the fourth quarter of 2023, investment in ESG companies reached an all-time high, with **£2.66bn invested** during just these three months. Compare this to just a decade earlier in 2014, when the total annual investment in ESG companies was merely **£773m.**

The region with the most companies hitting one or more of Beauhurst's Environmental Signals is London. The capital is home to 5,124 companies that have an Environmental Signal, that's 19.9% of all the companies that made our list. This is possibly unsurprising as London is often accredited to having forward-thinking and innovative companies.

Coming in second place is the South East. This could be due to Green Party initiatives, with the environmentally-focused party famously gaining its first seat in the South East (Brighton Pavilion) in 2010. It could be a result of being close to London. Or it could simply be a reflection of the mentality of the region as a whole, to support [greener ways of living](#).

In third place we have the South West. Bristol has often been accredited as the '[greenest city in the UK](#)', and with it being situated in the South West, we can see that companies in this area have continued to uphold environmental values. **The West Midlands came in at 1,649, and the East Midlands had 1,448.**

It's also worth considering that **proportionally** these regions. London in particular, may have more active companies than over regions.

Number of companies that hit an Environmental Signal, split by region:

Source: Beauhurst

Beauhurst also looked at the **percentage of all active companies in each region that hit an Environmental Signal.** When considered, **only 0.4% of London's companies hit one or more of our Environmental Signals, which actually puts it down at the bottom of the list, followed by the West Midlands and the North West**.

Source: [Beauhurst, 2024](#)

For any queries please contact: Professor Delma Dwight (Delma.Dwight@theeiu.org)

MIDLANDS ENGINE
OBSERVATORY

__THE PAN-REGIONAL PARTNERSHIP FOR THE MIDLANDS__
The Midlands Engine connects, champions and amplifies the work of its partners.