MIDLANDS ENGINE

OBSERVATORY

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REGIONAL ECONOMIC IMPACT MONITOR

EDITION 51: SEPTEMBER 2024

Executive Summary

This September edition of the Regional Economic Impact Monitor comes amid reports of the **2nd month of no growth of UK GDP**. UK Foundations reason that it is difficult to build almost anything, anywhere. **This prevents investment, increases energy costs, and makes it harder for productive economic clusters to expand.** This, in turn, lowers our productivity, incomes, and tax revenues and may explain why **Britain has stagnated**.

The latest Summer UK Economic Outlook reports that economic output in all English regions (excluding Yorkshire and the Humber) is expected to experience subdued growth with respect to their pre-pandemic level. **The West Midlands is not projected to reach its pre-pandemic levels over the next year and a half**. This is especially concerning for the West Midlands which in 2019 had half the economic output as the South East. **The East Midlands continues to lag the other English regions in terms of employment growth, however it is expected to show marginally signs of growth relative to its pre-pandemic level over the next year and a half. Furthermore, the East Midlands has exceeded their pre-pandemic levels for GVA per hour worked. The West Midlands is projected to experience the sharpest drop in productivity by the end of 2025. The West Midlands is also forecasted to lag all other English regions by the end of 2025. This position was previously taken by the East Midlands in 2019.**

Skills remain an issue in the Midlands; a recent investigation into the skill and qualification suitability in the labour market reveals 50.0% (2.2m) had qualifications that matched the average for their occupation, 21.0% (928,870) were more qualified than average and 29.0% (nearly 1.3m) were less qualified than average. **More people are underqualified for their role in the Midlands compared to the national average.** More widely in the labour market **concerning trends are emerging, as the number of young people not in full-time education or employment has reached its highest level since the early 1990s.** Vacancies also continue to decline, now at a three-year low.

More broadly, the monitor provides insights into a range of recent data releases, offering context for the current business landscape:

- **HM Revenue & Customs UK Regional Trade in Goods data shows in the year ending Q2 2024, the Midlands area exported £62.7bn worth of goods and imported £74.3bn.** This represents a trade in goods deficit of £11.6bn, a decrease from the trade deficit in the year ending Q2 2023 which was £16.3bn. Goods exports **increased by £2.8bn (+4.6%) since the year ending Q2 2023 while the UK decreased by 6.7%.**
- The latest PWC store openings and closures shows **the West Midlands had 582 closures and 397 openings which means there was a net change of negative 185. The East Midlands had 436 closures and 293 openings, a net change of negative 143.** Chemists, chain pubs and banks are under particular pressures. Operators will need to navigate continued pressures: operating costs remain high and energy price inflation is expected. The long-term trend of consumers moving online will continue to take its toll, primarily at the expense of the high street.
- An overview of the women-powered U.K. ecosystem reveals **women-powered businesses represent 28.1% of high-growth companies in the Midlands**. Between 2014 – 2023, total equity investment in women-powered businesses totalled £728m. Over the same period, there was £74.6m total grant funding in women-powered businesses.

This month features a series of different work around inequalities in the UK, highlighting both the challenges and opportunities for creating a more equitable society:

- The Good Growth for Cities Index seeks to recognise that if growth is essentially about improving the prosperity, opportunities and wellbeing of the general public, the focus must go beyond traditional measures of economic success, such as GVA and GDP. **LEP geographies across the Midlands Engine perform best on work-life-balance, with all areas rated above 0, but are ranked poorly for income, health, environment, and high-streets.** The Black Country is the worst performing area, and Worcestershire is the best performing. Birmingham and Walsall are the poorest rated cities in the Midlands Engine, ranked 47th and 48th out of 51 cities. Stoke-on-Trent is the highest performing Midlands Engine city, ranked 15th.
- **The Midlands Engine total GDHI has increased from £192.1bn in 2021 to £204.1bn in 2022.** This equates to a 6.2% (+£12.0bn) annual increase, slightly behind the UK-wide growth of 6.3%. **Within the Midlands Engine all local authorities experienced an increase.**
- The **Midlands Engine GDHI per head has increased from £18,512 in 2021 to £19,460 in 2022.** This equates to a 5.1% (+£948) increase, the UK increased by 5.3% (+£1,154) There is a **shortfall of £3,329 to the UK figure** (£22,789).
- The Social Mobility Commission's State of the Nation 2024: Local to National Mapping Opportunities for All reveals the **Midlands regions ranked as unfavourable on 10 metrics, and favourable on only 1 metric in terms of social mobility drivers.** Birmingham and North Lincolnshire are classed as **least favourable for labour market opportunities**, and Leicester, North East Lincolnshire, Sandwell and Stoke-on-Trent ranked as **least favourable for conditions of childhood,** whereas Rutland is ranked as favourable. Warwickshire is ranked as **favourable for the index of promising prospects.**

1. Economic Impacts

Global and National Outlook

Global

Inflation and Interest Rates

Central banks around the world are **expected to lower borrowing costs as global inflation eases from the multi-decade highs reached in many countries over the past two years.** Some institutions, particularly in emerging markets, have already started cutting rates, but many more are forecast to follow this year, including the US Federal Reserve, the European Central Bank and the Bank of England. **Higher borrowing costs have helped ease the fast pace of price growth that swept the world over the past three years during the pandemic and war in Ukraine.** While inflation in most nations has come down from its peak, many policymakers have **warned that the last leg of the journey to central banks' target — which in most advanced economies is 2% — will be the hardest.**

Chinese Stimulus Measures

With economists sceptical about whether China will hit the government's full-year growth target of 5%, China has unleashed a swath of stimulus measures including **cuts to its benchmark interest rate** as Beijing battles a slowdown in the world's second-largest economy. The People's Bank of China also announced **government funding to boost the stock market and aid share buybacks, as well as more support for the property sector.** China's economic growth has decelerated in recent months as a prolonged slowdown in the property sector has weighed on consumer sentiment and curbed spending. Policymakers have turned to exports in the hope the housing crisis will bottom out, but robust shipments of electric vehicles, batteries and other goods have not fully offset the weaker domestic economy.

Extreme Weather

Several countries in South America are suffering the impact of the worst drought in living memory. Extreme drought has devastated vast areas of the Amazon and the Pantanal in Brazil, Bolivia and Peru. In Colombia, firefighters are battling dozens of fires, which have so far ravaged almost 11,000 hectares (27,000 acres). **The drought has also weakened the vast Amazon River, affecting food supplies and the livelihoods of locals.** In The US, category 4 storm **Hurricane Helene has made landfall in Florida, bringing a 20ft storm surge. States of emergency have been declared in Florida, Georgia, the Carolinas, Virginia and Alabama.** While in Europe, Italy became the latest country to suffer the fury of Storm Boris – a low pressure system which swept across Poland, the Czech Republic, Romania and Austria, killing at least 23 people. In the UK, the **Midlands**, Hertfordshire, Bedfordshire, Northamptonshire, Kent and the home counties have all suffered **flooding**.

National

Sterling

The pound hit its highest level against the dollar for two and a half years this week after the US Federal Reserve delivered a jumbo 0.5 percentage point rate cut while the Bank of England held interest rates at 5 per cent. The UK currency touched $1.3340, its highest level against the US currency since March 2022, and is up 1.4 per cent this month as stubborn services inflation and higher than expected retail sales growth make it harder for the BoE to lower rates quickly. The latest leg higher brings sterling's gains against the dollar for the year to 4.6 per cent. On a trade-weighted basis, the pound is close to its strongest level since the Brexit vote in 2016.

Labour Shortages Squeezing UK Food Supply

The UK's biggest dairy provider Arla has warned that **labour shortages are undermining the country's food security** as wage inflation and the end of freedom of movement squeeze production and force farmers to reduce their herds. One in 12 of the 472 dairy farmers surveyed said they had **cut output in response to recruitment pressures**, and 16% said they would consider **leaving the sector altogether unless the situation improved. Farmers were paying workers almost a third more this year than at the end of 2019**, before the Covid-19 pandemic and the termination of unrestricted movement between the UK and EU following Brexit. **The industry is struggling to convince young people to choose food manufacturing as a career, and to attract candidates with the skills needed for increasingly automated manufacturing work.**

Staff Retirement Worries for Rail Industry

One in five train drivers are due to retire this decade, warns Aslef, as staff shortages continue to be felt. Ministers are planning a major "recruitment campaign" to attract younger people to operate trains in order to **avert a demographic time bomb that would cripple Britain's rail service.** In May, the previous government **launched a consultation into lowering the minimum age for train drivers from 20 to 18.** It said this was needed to improve the future reliability of the network, given the number of drivers close to retirement age.

UK Infrastructure Bank

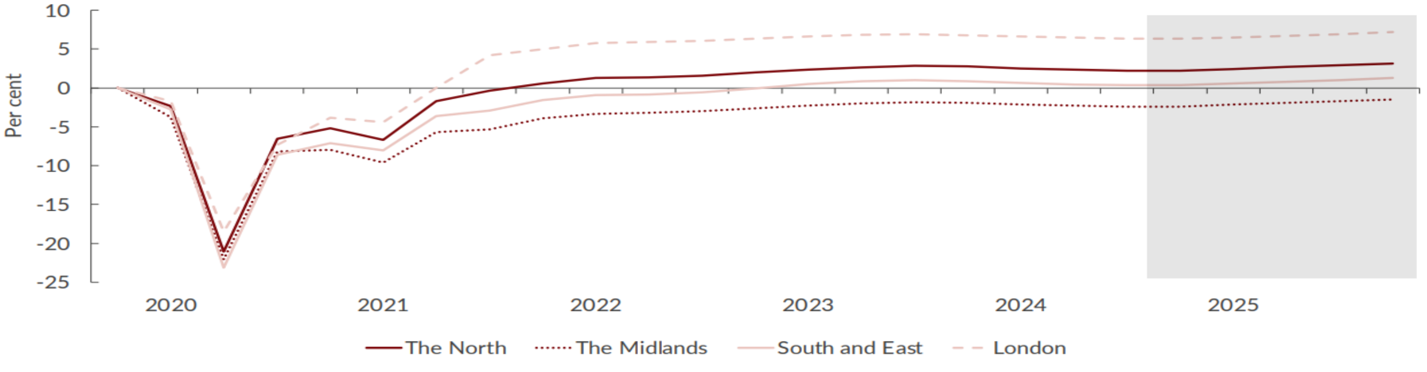
So far, the UK Infrastructure Bank has invested a fraction of the £22bn of taxpayers' money made available to it since its launch. Since its founding in 2021, **the UKIB has invested £4bn of the funds apportioned to it on private sector projects addressing climate change or driving economic growth.** The government has promised to give it an extra £7bn via a new National Wealth Fund.

National Institute UK Economic Outlook

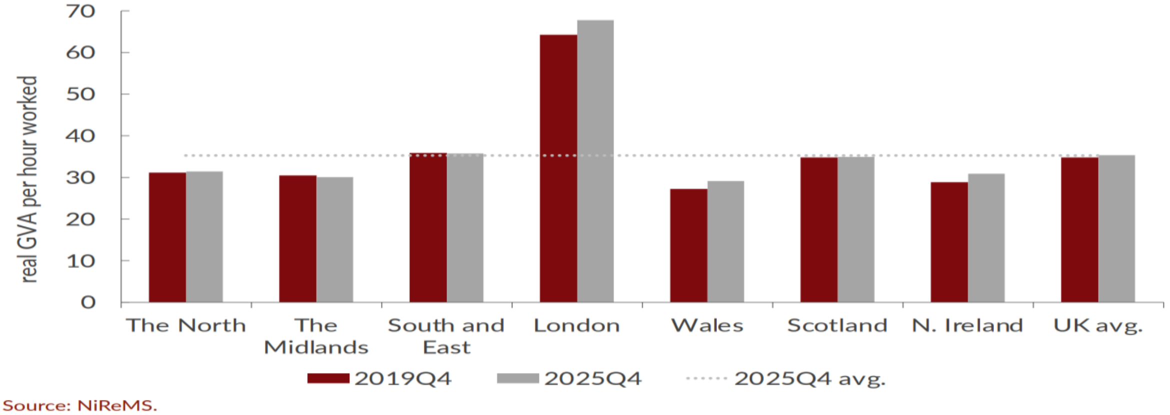
The latest Summer UK Economic Outlook published by National Institute of Economic and Social Research (NIESR) highlights the following **key regional points:**

- **Compared to last quarter's outlook, economic output has had a slight uplift revision across all English regions** due to updated regional GVA numbers. Economic output in all English regions (excluding Yorkshire and the Humber) is expected to experience subdued growth with respect to their pre-pandemic level.
    - **The West Midlands and the South East are projected not to reach their respective pre-pandemic levels over the next year and a half. This is especially concerning for the West Midlands which in 2019 had half the economic output as the South East.**
- Updated employment figures mean that compared to last quarter's projection**, employment numbers in early 2024 have had a marginal downwards revision with the exception of the South West and London.**
    - The North East continues to have the highest employment growth relative to its pre-pandemic levels. **The East Midlands continues to lag the other English regions however it is expected to show marginally signs of growth relative to its pre-pandemic level over the next year and a half.** Beyond the North East and the East Midlands, all other regions show little signs of change in employment numbers relative to their pre-pandemic levels. This trend is particularly concerning in the South West where employment levels continue to be significantly below the pre-pandemic levels.
- **The inactivity projections for all the English regions remain unchanged.** Inactivity across all regions is expected to grow by similar amounts suggesting that inactivity is affecting all regions similarly.
    - London continues to have the lowest inactivity rate of all the English regions. The North East continues to have the highest inactivity rate, which is projected to persist over the next few years. The North East is closely followed by the North West and Yorkshire and the Humber.
- London continues to significantly pull ahead of the other English regions and above its own pre-pandemic levels in terms of **productivity as defined by real GVA per hour worked**. Out of all the other English regions, it has experienced the greatest growth.
    - **Aside from London, only the North West, East Midlands and the South West have exceeded their pre-pandemic levels. The West Midlands is projected to experience the sharpest drop in productivity by the end of 2025. West Midlands is also forecasted to lag all other English regions by the end of 2025. This position was previously taken by the East Midlands in 2019.** Yorkshire and the Humber's productivity is projected to remain close to its pre-pandemic levels.

Regional GVA relative to the fourth quarter of 2019:



Devolved nation and English regional productivity:



Policy Considerations

THEME	KEY INSIGHTS
Outlook	• **After a welcome recovery from last year's short recession, the UK economy has performed better than expected in 2024. The UK was the fastest-growing economy among the G7 in the first half of this year, which could be attributed to 'catch-up' effects after experiencing a shallow technical recession last year.** However, higher-frequency indicators and survey data highlight signs of slowing down – while business activity continues to expand, we can expect the pace of growth to be slower compared what we have seen since the beginning of the year. • Recent data from the Office for National Statistics (ONS) reveals **monthly real gross domestic product (GDP) is estimated to have shown no growth in July 2024,** after showing no growth in June 2024. **Real GDP is estimated to have grown by 0.5% in the three months to July 2024,** compared with the three months to April 2024 with **widespread growth in the services sector driving growth in this period.** • **This has led to NIESR forecasting GDP to grow by 0.2% in the third quarter of 2024.** • The British Chambers of Commerce (BCC) Quarterly Economic Forecast is now forecasting 0.4% for Q3. **But this momentum is expected to tail off**, with 0.2% in Q4, and for every quarter in 2025. Business investment is expected to increase by 0.3% in 2024. Business investment is then expected to grow by 1.4% in 2025 and 2.0% in 2026. The services sector is projected to be the highest growth sector in the economy, with yearly growth above 1% across the forecasting period. • **The BCC say CPI is expected to be slightly higher than previously forecast by the end of 2024, at 2.6% due to global trade uncertainties, pay growth, and rising energy costs**. It is then expected to slow, closer to the Bank of England 2% target, reaching 2.2% in Q4 2025 and 2.1% in Q4 2026.
Trading Conditions	• The Consumer Prices Index including owner occupiers' housing costs (CPIH) **rose by 3.1% in the 12 months to August 2024, unchanged from July. The Consumer Prices Index (CPI) rose by 2.2% in the 12 months to August 2024, unchanged from July.** The largest upward contribution to the monthly change in both CPIH and CPI annual rates came from air fares, which rose this year but fell a year ago; the largest offsetting downward contributions came from motor fuels, and restaurants and hotels. • NIESR's measure of **underlying inflation**, **fell to 1.4%, remaining around the lowest levels in 3 years.** • As was widely expected, **the interest rate was held at 5% by the Bank of England.** CBI say **monetary policy will be walking a fine line for a little while yet: between balancing upside risks to inflation, but not being too tight, so as to choke off activity.** Developments in fiscal policy in **October's Budget** will also be a key consideration for growth prospects. • New research from Grant Thornton UK LLP finds that **the UK is a preferred international destination for 89% of Indian businesses.** Indian mid-market businesses **view the UK as a key growth market** due to its 'strong infrastructure', 'strong innovation ecosystem' and 'digital competitiveness'. • This comes amid new research from CBI and Pertemps showing a **significant majority (62%) of employers predict a decline in the UK as an attractive place to invest and do business over the next five years.** Notably, businesses are increasingly pessimistic with a 6% upswing in those concerned that the UK is set to become 'much less attractive'. • Beauhurst have released their **Startup Index** report for H1 2024 which reveals there were **38,800 new business incorporations between H1 2023 and H1 2024 in the West Midlands. This is up by 10.1%. The East Midlands had 22,900 new business incorporations, an increase of 0.88%.** • **Academic spinouts play a pivotal role in enhancing the UK's global competitiveness by bringing groundbreaking innovations to market.** New data from Beauhurst reveals Equity investment in spinouts fell to £2.34bn. In 2023, top academic institutions in the Midlands receiving equity deals included: The University of Warwick (10 deals at £51.6m), University of Nottingham (7 deals) University of Birmingham (7 deals at £30.6m), Loughborough University (7 deals). • J.P. Morgan partnered with Beauhurst to deliver a comprehensive overview of **women-powered businesses, which reveals the West Midlands is home to 800 women-powered businesses, with 27.7% classed as high-growth. The East Midlands has 632, and 28.3% of these are high-growth.**
Labour Market	• There are some further signs of loosening in the jobs market as vacancies continue to fall and wage growth slows. **But pay continues to outpace inflation by some margin and high levels of economic inactivity mean recruitment difficulties are likely to persist.** With over 850,000 more people no longer seeking work than before the pandemic, this remains a big concern. The British Chambers of Commerce thinks the autumn statement presents a key opportunity to reverse this trend. • The Workplace Equity Commission outlined more than **40 recommendations to improve employment opportunities and breakdown barriers for people in the workplace.** • The Youth Futures Foundation reveal **1 in 8 young people are NEET** (not in education, employment or training), with many experiencing the scarring effects of being left out of opportunities to earn or learn long-term**. These rates are the highest they have been in 8 years. PwC reveal that if the UK lowered the NEET rate to a level comparable with the Netherlands, we could increase GDP by £69bn.**

Regional Business Activity

Business Activity Index

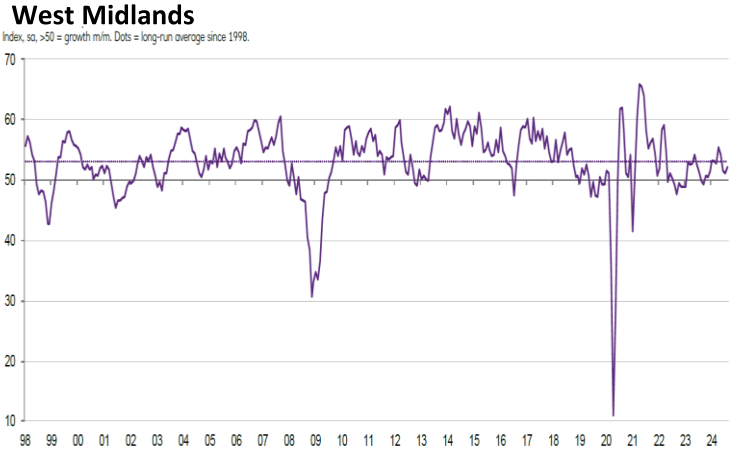
The West Midlands Business Activity Index increased from 51.2 in July 2024 to 52.2 in August 2024, the fastest growth seen for three months. The expansion in business activity was linked to demand resilience and upbeat forecasts along with greater availability of raw materials and completions of pending workloads.

The East Midlands Business Activity Index increased from 48.3 in July 2024 in 51.9 in August 2024, a renewed expansion in activity. The rise in activity was linked to stronger demand conditions, an increase in new orders and a rebound from pre-election uncertainty.

The UK Business Activity Index increased from 52.8 in July 2024 to 53.8 in August 2024.

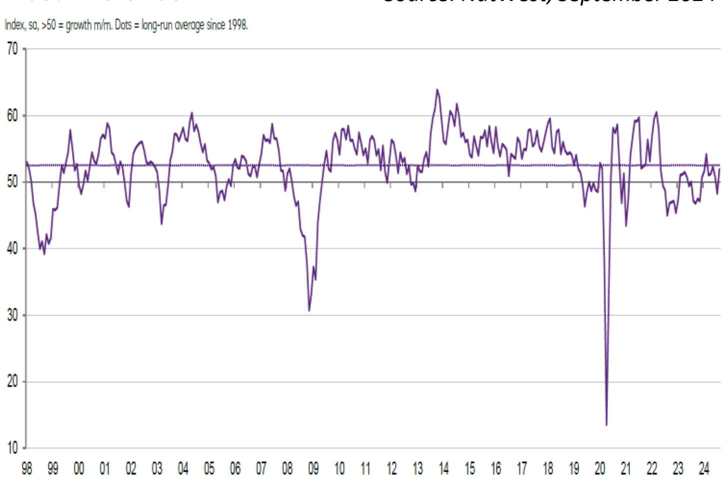
Business Activity Index Trends:

West Midlands



East Midlands

Source: NatWest, September 2024



In a typical business cycle, regions will move through four phases – expansion, slowdown, contraction and recovery. The August 2024 reading shows **the West Midlands region remains in slowdown,** meaning that the region is expanding, but at a slower rate than the trend over the past six months. While **the East Midlands moved from contraction to expansion**, meaning the region is now expanding at and a faster rate than the trend over the past six months.

Demand

The West Midlands New Business Index decreased from 51.5 in July 2024 to 50.3 in August 2024, but the nineteenth consecutive month of growth. The East Midlands New Business Index increased from 49.4 in July 2024 to 53.8 in August 2024, a renewed increase in new business.

Exports

The West Midlands Export Climate Index increased from 51.5 in July 2024 to 51.8 in August 2024. The East Midlands Export Climate Index increased from 51.5 in July 2024 to 52.1 in August 2024.

Business Capacity

The West Midlands Employment Index remained at 49.8 in August 2024 and signals a seventh consecutive month of declines in employment. The East Midlands Employment Index decreased from 48.7 in July 2024 to 48.3 in August 2024, continuing the falling trend and is the fourteenth consecutive monthly drop in employment. The only two regions to register a decline in employment in August 2024 was the West Midlands and East Midlands.

The West Midlands Outstanding Business Index decreased from 46.9 in July 2024 to 45.5 in August 2024. The East Midlands Outstanding Business Index increased from 46.9 in July 2024 to 49.0 in August 2024.

Prices

The West Midlands Input Prices Index decreased from 58.3 in July 2024 to 56.6 in August 2024. The East Midlands Input Prices Index decreased from 61.9 in July 2024 to 60.2 in August 2024.

The West Midlands Prices Charged Index decreased from 55.1 in July 2024 to 54.5 in August 2024. The East Midlands Prices Charged Index increased from 54.1 in July 2024 to 54.6 in August 2024

Outlook

The West Midlands Future Business Activity Index decreased from 77.9 in July 2024 to 76.1 in August 2024. Despite the fall from July, firms in the West Midlands remain optimistic for the upcoming 12 months.

The East Midlands Future Activity Index decreased from 72.3 in July 2024 to 71.6 in August 2024. Although the level of optimism has dipped, firms remain positive about the upcoming year due to hopes of an improved sales demand, plans for new product launches and render applications.

Source: NatWest: UK regional growth tracker report for August 2024, released September 2024. Please note, readings above the 50-mark indicates growth.

2. Labour Market Impacts

Skill and Qualification Suitability in the Labour Market

The ONS have published a bulletin on [understanding skill and qualification suitability in the labour market] which provides subnational differences in the population's suitability to the labour market, with potential gaps and shortages. Please note, these are official statistics in development.

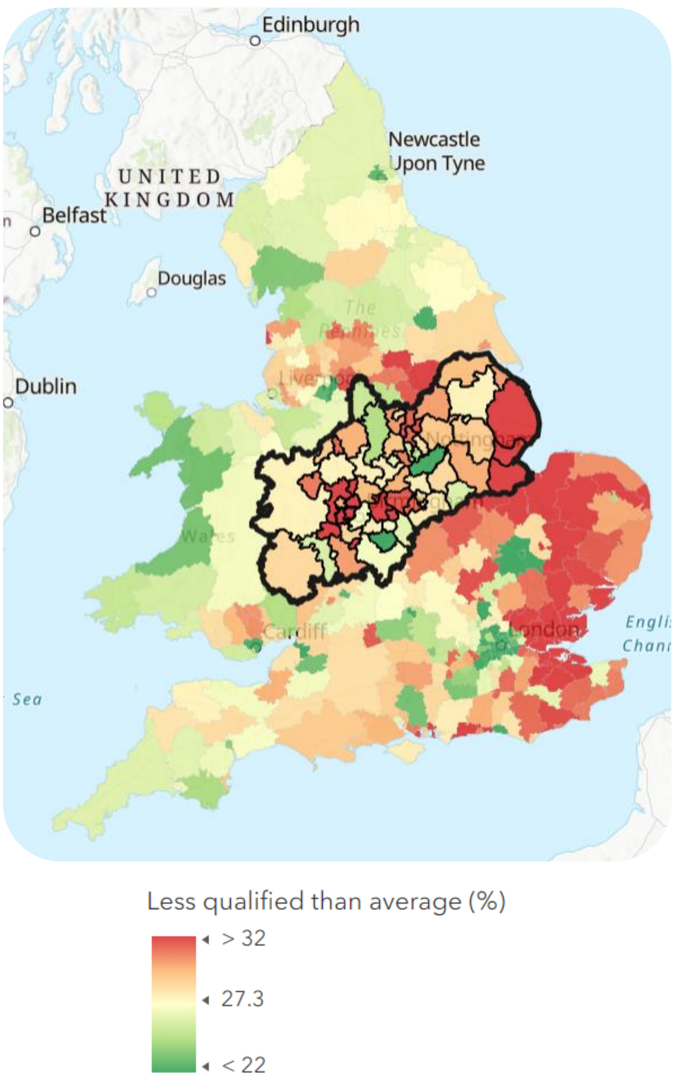
National Findings:

- In 2021, 52.5% of employed adults in England and Wales had qualifications that matched the average for their occupation, while 20.2% employed adults were more qualified than average for their current occupation, meaning 27.3% were less qualified than average. Employed women were more likely than men to be more qualified than average for their current occupation (21.8% compared with 18.7%).
- The two most critical skills for the labour market were "establishing and maintaining interpersonal relationships" and "updating and using relevant knowledge", as these skills were required for the largest number of different occupations.

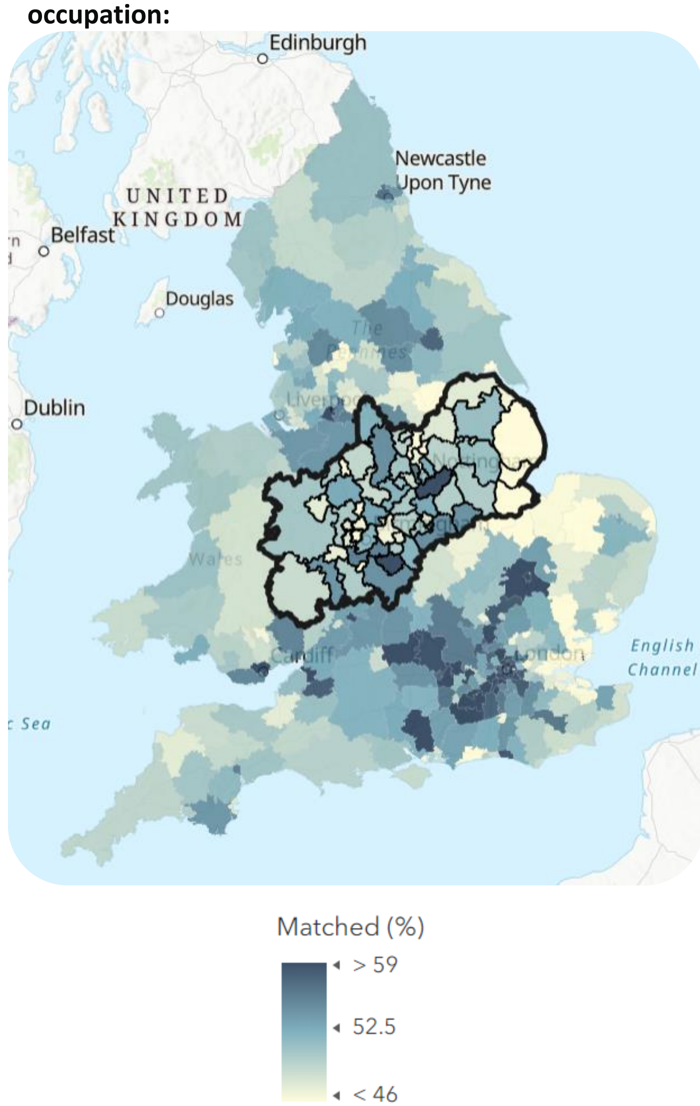
Midlands Engine Area Findings:

- **Overall, 50.0% (2.2m) had qualifications that matched the average for their occupation, 21.0% (928,870) were more qualified than average and 29.0% (nearly 1.3m) were less qualified than average.**

Qualified less than average for their occupation:



Qualifications that matched the average for their occupation:



Please note, for the qualification mismatch metrics, qualifications within each occupation are based on the mode level of highest qualification within each occupation (the level that appears most often) and do not account for the field or subject area of the qualification. "less qualified than average" means that an individual's highest level of qualification was lower than the mode for that occupation; "matched" means that an individual's highest level of qualification was the same as the mode for that occupation; and "more qualified than average" means that an individual's highest level of qualification was higher than the mode for that occupation.

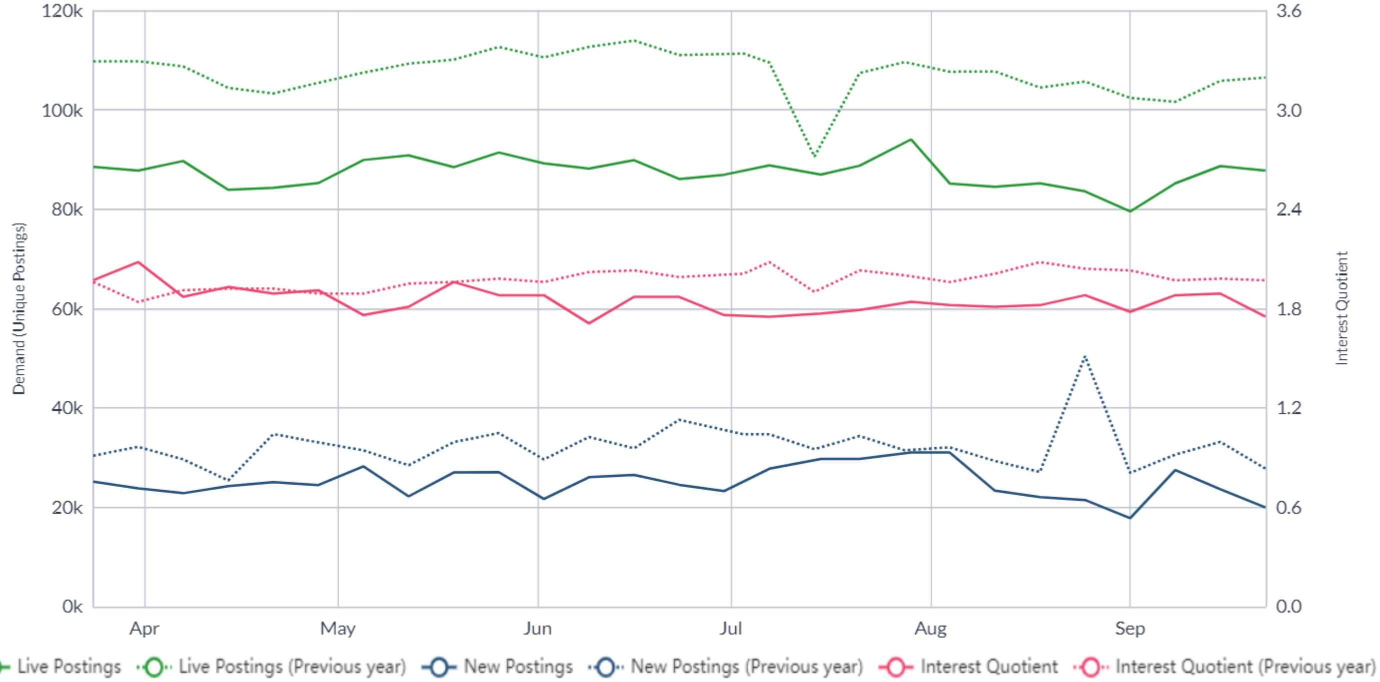
Labour Market and Job Postings

The latest labour market data presents a mixed picture. This month's figures show improvement from weak growth earlier in the year, with employment rising to 74.8%, unemployment down to 4.1%, and economic inactivity at 21.9%. However, **the ongoing volatility in employment estimates means these short-term gains should be viewed with caution**. Conversely, **concerning trends are emerging for certain groups, particularly those under 35, and for young people not in full-time education or employment, reaching its highest level since the early 1990s.** Vacancies also continue to decline, now at a three-year low, driven by fewer jobs in lower-paying service sectors and health and care. Nevertheless, there are still around 860,000 unfilled jobs, and wage growth remains robust at 5% year-on-year.

The latest total unique job postings data shows that the **number of postings across the Midlands dropped 22.7% over the last six months to 736,864,** however, the number of postings is high compared to the average for all regions. The number of new job postings fell by 23.5% to 638,574, 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:

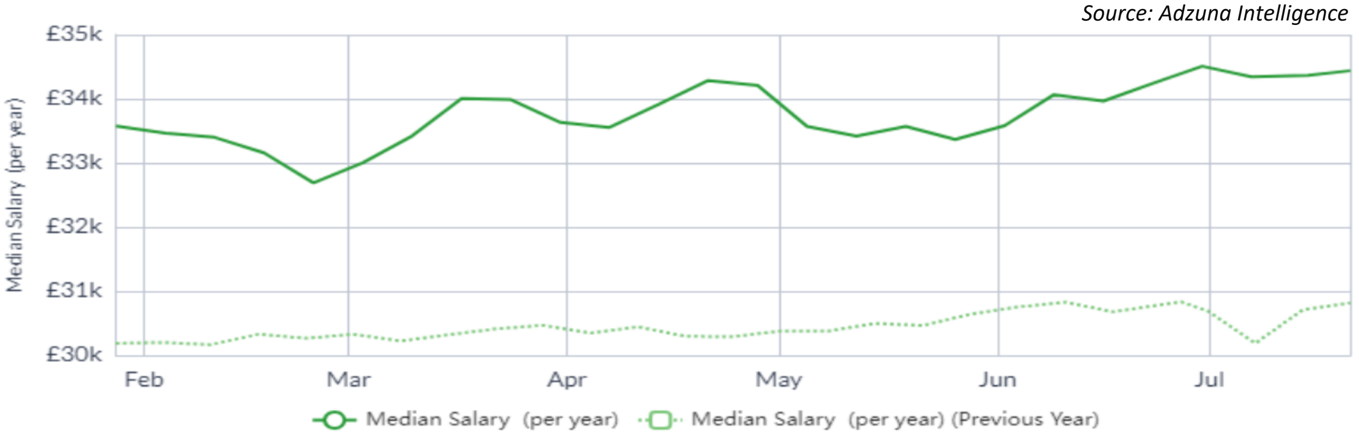
Source: Adzuna Intelligence



The **advertised median salary across the Midlands has increased by 10.1%** year-on-year to £33,107 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 **approximately 34%** of all job postings in the last six months.

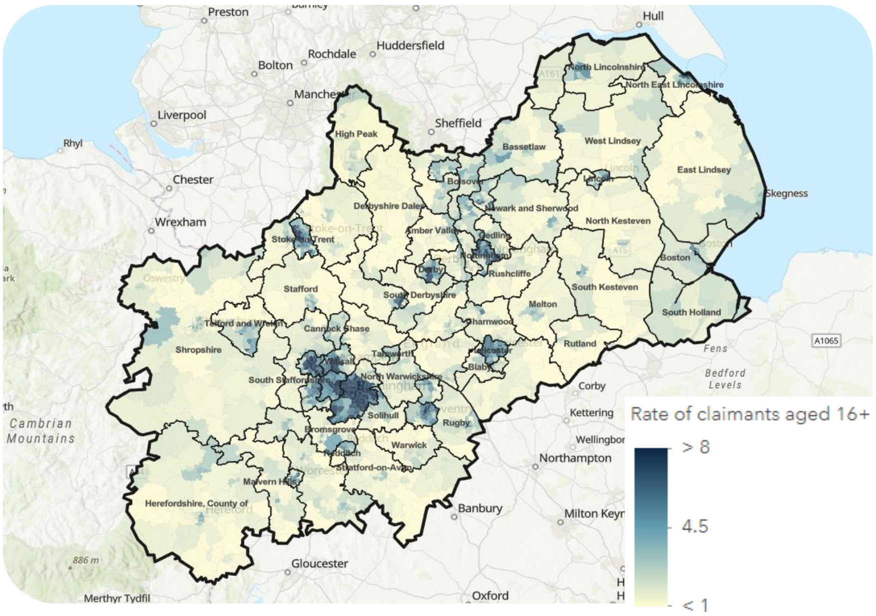
Source: Adzuna Limited Job Posting Intelligence, Accessed Sep 2024. The Interest Quotient uses jobseeker data to quantify the level of interest in particular roles.

Labour Market Impacts: Claimants

There were **320,875 claimants aged 16 years and over** in the Midlands Engine area in August 2024, an increase of 4,165 claimants (+1.3%, UK +0.9%) since the previous month. **There are 51,485 more claimants (+19.1%, UK +17.3%) when compared to August 2023**. East Lindsey had lower levels of claimants when compared to pre-Covid-19 figures of March 2020 (-815).

Overall, for the Midlands Engine area the number of claimants as percentage of residents aged 16 years and over was 3.8% compared to 3.3% for the UK in August 2024.

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



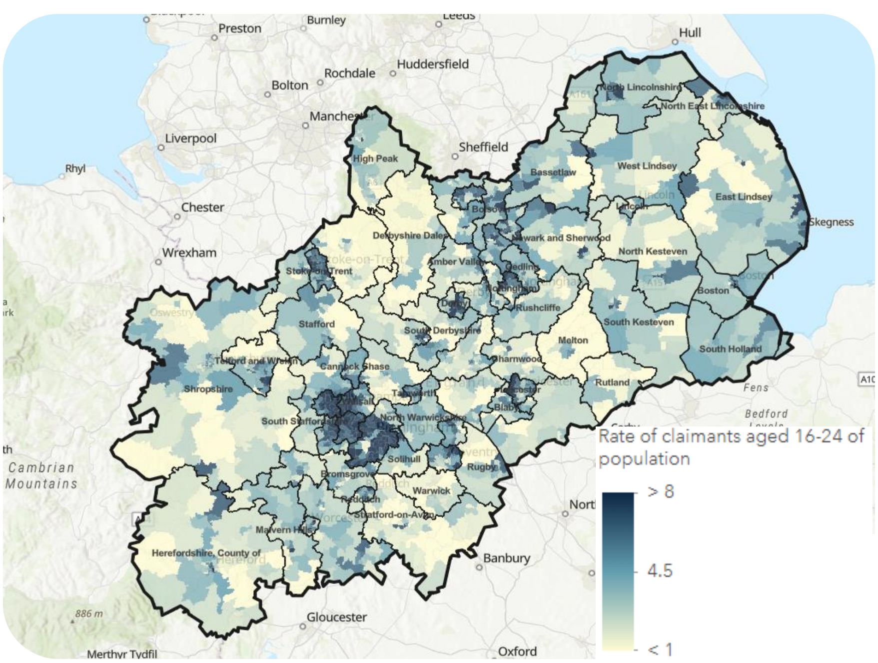
Out of the 1,511 wards within the Midlands Engine, 418 were at or above the UK average of 3.3% for the number of claimants as a percentage of the population aged 16 years and over in August 2024.

The wards with the highest number of claimants as a percentage of the population were based in Birmingham, with Lozells and Handsworth highest at 20.9% and 19.5% respectively. In contrast, the wards with the lowest proportions were Keele (Newcastle-Under-Lyme) at 0.1%, Ashby Castle (North West Leicestershire) at 0.2% and Horton (Staffordshire Moorlands) at 0.3%.

There were **56,980 claimants aged 16-24 years old** in the Midlands Engine area in August 2024, a monthly increase of 1,640 youth claimants (+3.0%, UK: +2.4%). Since August 2023, **the number of youth claimants has increased by 5,315** (+10.3%, UK +8.0%). Longer term, when compared to pre-Covid-19 figures, there were 5 local authorities in the Midlands Engine that had lower levels than March 2020 and a further 1 that was the same level.

The number of claimants as a percentage of residents aged between 16-24 years old was 5.0% in the Midlands Engine and 4.2% for the UK in August 2024.

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



Out of the 1,511 wards within the Midlands Engine, 642 were at or above the UK average of 4.2% for the number of claimants as a percentage of the population aged 16–24 years and over in August 2024.

The ward with the highest number of youth claimants as a percentage of the population was Handsworth (Birmingham) at 19.0%, followed by Joiner's Square (Stoke-on-Trent) at 17.1% and Stockland Green (Birmingham) at 15.3%. In contrast, within the Midlands Engine there were 81 wards with no youth claimants in August 2024.

An interactive version can be found here.

Source: ONS/ Department for Work and Pensions, released September 2024

3. Business Environment

The Midlands Trade in Goods

HM Revenue & Customs [UK Regional Trade in Goods data](#) **shows in the year ending Q2 2024, the Midlands area exported £62.7bn worth of goods and imported £74.3bn.** This represents a trade in goods deficit of £11.6bn, a decrease from the trade deficit in the year ending Q2 2023 which was £16.3bn.

- The West Midlands exported £35.4bn and imported £42.4bn – a trade in goods deficit of £7.0bn.
- The East Midlands exported £27.3bn and imported £31.9bn – a trade in goods deficit of £4.6bn.

Goods Exported

In the year ending Q2 2024, goods exports from the Midlands area were worth £62.7bn and has increased by £2.8bn (+4.6%) since the year ending Q2 2023. In contrast, the UK decreased by 6.7% to £356.8bn.

- Since the year ending Q2 2023, the West Midlands goods exports increased by £2.0bn (+6.0%) to £35.4bn in the year ending Q2 2024.
- East Midlands goods exports increased by £776m (+2.9%) to £27.3bn in the year ending Q2 2024.
- Notably out of the four regions to increase (West Midlands, East Midlands, North East and Northern Ireland) the West Midlands region had the second highest annual percentage increase.

The Midlands area accounted for 24.1% of England's goods exports - above London and the South East.

Quarter-on-quarter (Q2 2024 to Q1 2024) analysis shows total goods exports from the Midlands decreased by £607m (-3.8%, UK +0.5%) to £15.2bn. The West Midlands decreased by £271m (-3.0%) and the East Midlands decreased by £336m (-4.9%).

- EU exports from the Midlands decreased by £351m (-5.2%, UK -1.7%); the West Midlands increased by £49m (+1.3%) but the East Midlands decreased by £400m (-12.7%).
- Non-EU exports from the Midlands decreased by £256m (-2.8%, UK +2.8%), the West Midlands decreased by £320m (-5.9%) whereas the East Midlands increased by £64m (+1.7%).

Latest annual quarterly (Q2 2024 – Q2 2023) analysis shows total goods exports from the Midlands decreased by £489m (-3.1%, UK -4.5%); the West Midlands increased by £30m (+0.3%) but the East Midlands decreased by £519m (-7.4%).

- EU exports from the Midlands decreased by £448m (-6.5%, UK -3.9%). The West Midlands decreased by £65m (-1.7%) whereas the East Midlands decreased by £383m (-12.3%).
- Non-EU exports from the Midlands decreased by £41m (-0.5%, UK -5.1%) as the West Midlands increased by £95m (+1.9%) but the East Midlands decreased by £136m (-3.5%).

Goods Imported

In the year ending Q2 2024, goods imports to the Midlands area were worth £74.3bn, a decrease of £1.9bn (-2.5%) since year ending Q2 2023 UK-wide total imports decreased by 8.2% to £576.7bn.

- West Midlands region goods imports decreased by £89m (-0.2%) to £42.4bn in the year ending Q2 2024.
- East Midlands imports decreased by £1.8bn (-5.4%) to £31.9bn in the year ending Q2 2024.

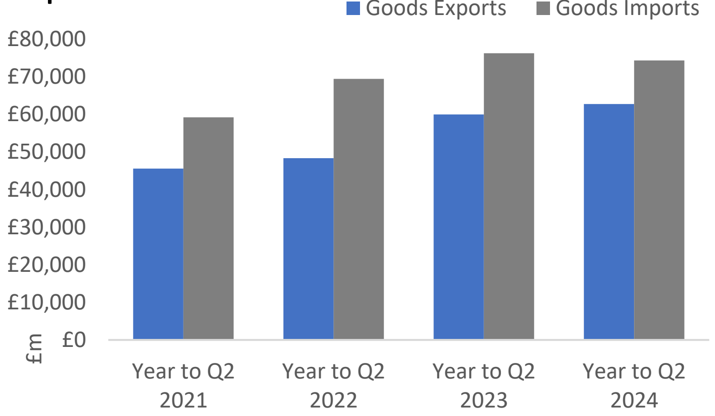
Quarter-on-quarter analysis shows **total goods imports to the Midlands increased by £881m (+4.8%, UK +6.1%). The West Midlands increased by 670m (+6.4%) and the East Midlands increased by £211m (+2.7%).**

- EU imports to the Midlands increased by £286m (+2.5%, UK +4.3%).
- Non-EU imports to the Midlands increased by £594m (+8.5%, UK +8.4%).

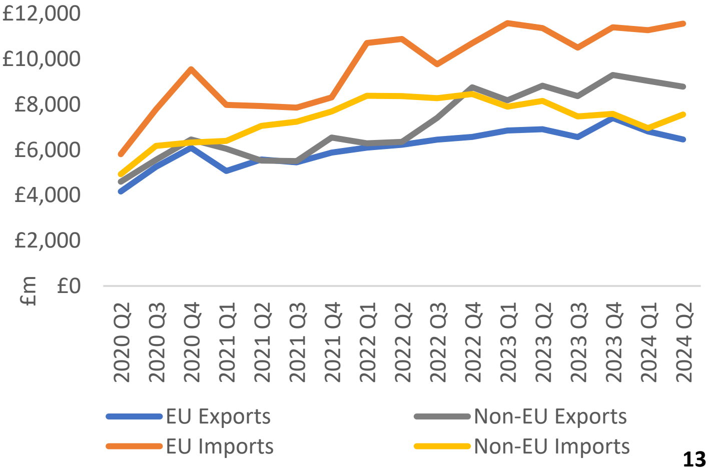
Annual quarterly analysis shows **total goods imports to the Midlands decreased by £406m (-2.1%, UK -1.7%).**

- EU imports to the Midlands increased by £194m (+1.7%, UK -2.4%).
- Non-EU imports to the Midlands decreased by £601m (-7.4%, UK -0.9%).

The Midlands total value of goods exported and imported trends:



The Midlands value of goods exported and imported split by quarter and EU/Non-EU trends:



The Midlands Trade in Goods

Standard International Trade Classification (SITC)

- The total value of goods exports in two of the ten SITC sections increased for the Midlands since the year ending Q2 2023. The sections that increased were machinery & transport and other commodities nes.
- **The largest SITC section for goods exports in the Midlands area was machinery & transport at £44.9bn – 71.5% of total; of which nearly £27.7bn (61.8%) went to non-EU locations. Since the year ending Q2 2023, overall, this SITC section increased by £3.7bn (+9.0%).**

- The total value of imports in seven of the ten SITC sections decreased for the Midlands when compared to the year ending Q2 2023.
- The largest SITC section for goods imports to the Midlands area was machinery & transport at £38.0bn, which is 51.1% of total imports (of which 62.9% or £23.9bn of imports for this section were from the EU). This section overall has increased since the year ending Q2 2023 by £1.1bn (+2.9%).

Goods exported and imported by SITC Section (figures in £m):

	Midlands			UK		
	Year to Q2 2023	Year to Q2 2024	% Change	Year to Q2 2023	Year to Q2 2024	% Change
Total Exports by SITC Section						
0 Food and Live Animals	£1,997	£1,885	-5.6%	£16,064	£15,863	-1.3%
1 Beverages and Tobacco	£98	£88	-10.2%	£9,173	£7,805	-14.9%
2 Crude Materials	£1,719	£1,603	-6.7%	£9,435	£8,398	-11.0%
3 Mineral Fuels	£338	£290	-14.2%	£45,563	£30,898	-32.2%
4 Animal and Vegetable Oils	£50	£46	-8.0%	£717	£640	-10.7%
5 Chemicals	£3,358	£3,123	-7.0%	£61,830	£56,305	-8.9%
6 Manufactured Goods	£5,844	£5,799	-0.8%	£38,009	£33,843	-11.0%
7 Machinery and Transport	£41,174	£44,871	9.0%	£142,872	£147,554	3.3%
8 Miscellaneous Manufactures	£5,376	£5,019	-6.6%	£43,445	£41,686	-4.0%
9 Other commodities nes	£8	£12	50.0%	£15,487	£13,777	-11.0%
Total Exports	**£59,961**	**£62,734**	**4.6%**	**£382,594**	**£356,769**	**-6.7%**
Total Imports by SITC Section						
0 Food and Live Animals	£6,572	£7,047	7.2%	£49,422	£52,199	5.6%
1 Beverages and Tobacco	£565	£580	2.7%	£8,115	£7,911	-2.5%
2 Crude Materials	£1,607	£1,434	-10.8%	£14,103	£12,390	-12.1%
3 Mineral Fuels	£1,999	£1,270	-36.5%	£99,238	£65,560	-33.9%
4 Animal and Vegetable Oils	£216	£187	-13.4%	£2,423	£2,172	-10.4%
5 Chemicals	£5,526	£4,828	-12.6%	£73,040	£63,137	-13.6%
6 Manufactured Goods	£12,477	£11,650	-6.6%	£63,917	£58,824	-8.0%
7 Machinery and Transport	£36,940	£37,998	2.9%	£216,079	£218,210	1.0%
8 Miscellaneous Manufactures	£10,322	£9,325	-9.7%	£81,622	£74,171	-9.1%
9 Other commodities nes	£4	£2	-50.0%	£19,974	£22,131	10.8%
Total Imports	**£76,227**	**£74,324**	**-2.5%**	**£627,933**	**£576,705**	**-8.2%**

Country Group

- **The highest value of goods exports from the Midlands area was to the EU at £27.2bn, accounting for 43.4% of the total. The value of goods exports to the EU has increased by £459m (+1.7%) since the previous annual period.** The highest value of imports to the Midlands area was from the EU at £44.7bn, which accounted for 60.2% of the total. Goods imports from the EU increased by £1.3bn (3.0%) when compared to the year ending Q2 2023.

- There were three Country Groups where goods exports from the Midlands decreased in the year ending Q2 2024 compared to the previous annual period: these were Latin America & Caribbean (-3.2%), Sub-Saharan Africa (-9.1%) and Undefined Country Group (-42.9%). Whereas the only Country Group with an increase in imports to the Midlands compared to the previous annual period was the European Union (+3.0%).

Goods exported and imported by Country Group (figures in £m):

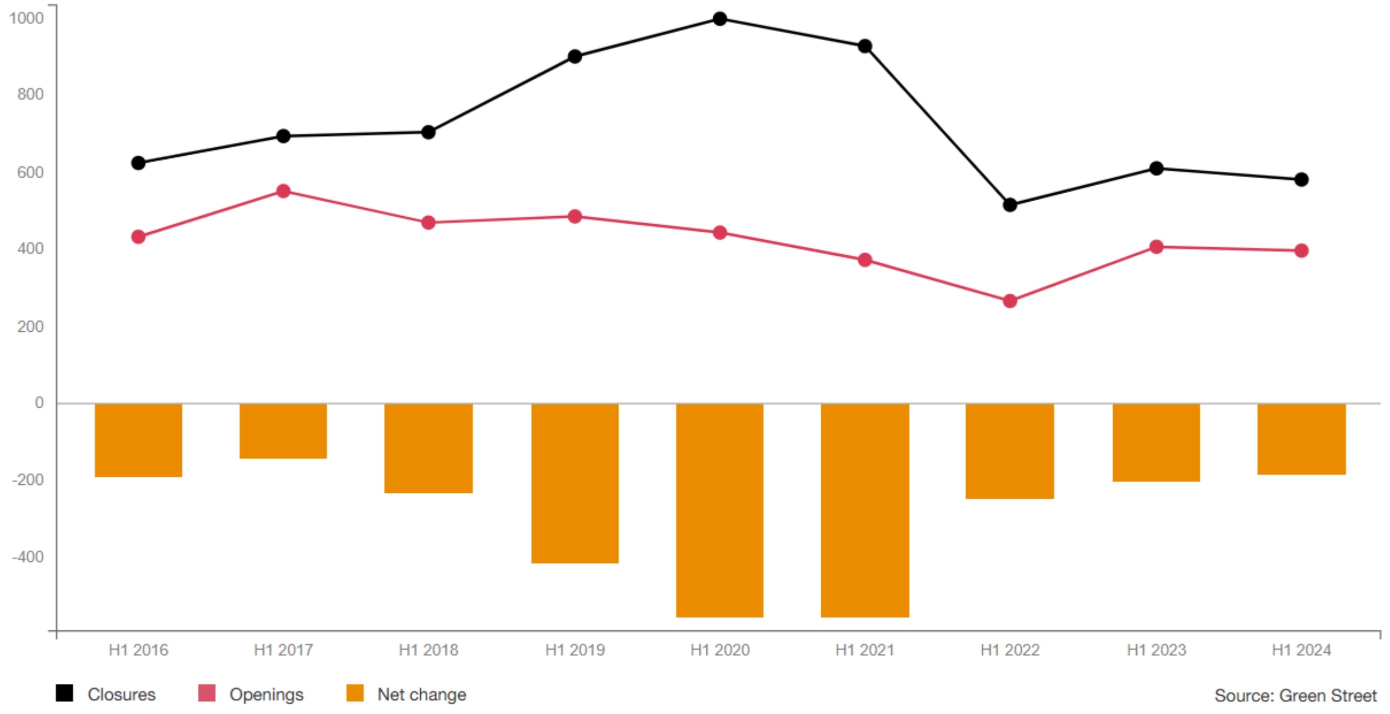
	Midlands			UK		
	Year to Q2 2023	Year to Q2 2024	% Change	Year to Q2 2023	Year to Q2 2024	% Change
Exports by Country Group						
Asia & Oceania	£13,345	£14,329	7.4%	£59,312	£57,821	-2.5%
Eastern Europe (excl EU)	£625	£708	13.3%	£4,221	£3,810	-9.7%
European Union	£26,780	£27,239	1.7%	£195,933	£179,304	-8.5%
Latin America and Caribbean	£831	£804	-3.2%	£6,211	£5,870	-5.5%
Middle East and North Africa (excl EU)	£3,587	£3,878	8.1%	£22,212	£21,728	-2.2%
North America	£12,157	£12,950	6.5%	£63,261	£62,613	-1.0%
Sub-Saharan Africa	£737	£670	-9.1%	£6,081	£5,466	-10.1%
Western Europe (excl. EU)	£1,892	£2,152	13.7%	£15,969	£14,138	-11.5%
Undefined Country Group	£7	£4	-42.9%	£9,394	£6,019	-35.9%
Total Exports	**£59,961**	**£62,734**	**4.6%**	**£382,594**	**£356,769**	**-6.7%**
Imports by Country Group						
Asia & Oceania	£19,273	£17,506	-9.2%	£125,942	£114,970	-8.7%
Eastern Europe (excl EU)	£304	£274	-9.9%	£2,204	£1,724	-21.8%
European Union	£43,435	£44,746	3.0%	£317,006	£313,546	-1.1%
Latin America and Caribbean	£1,241	£1,232	-0.7%	£9,667	£7,483	-22.6%
Middle East and North Africa (excl EU)	£1,786	£1,700	-4.8%	£24,073	£18,394	-23.6%
North America	£5,785	£4,660	-19.4%	£71,049	£57,722	-18.8%
Sub-Saharan Africa	£857	£769	-10.3%	£10,245	£8,206	-19.9%
Western Europe (excl. EU)	£3,547	£3,436	-3.1%	£59,880	£45,153	-24.6%
Undefined Country Group	-	-	-	£7,867	£9,507	20.8%
Total Imports	**£76,227**	**£74,324**	**-2.5%**	**£627,933**	**£576,705**	**-8.2%**

Store Openings and Closures

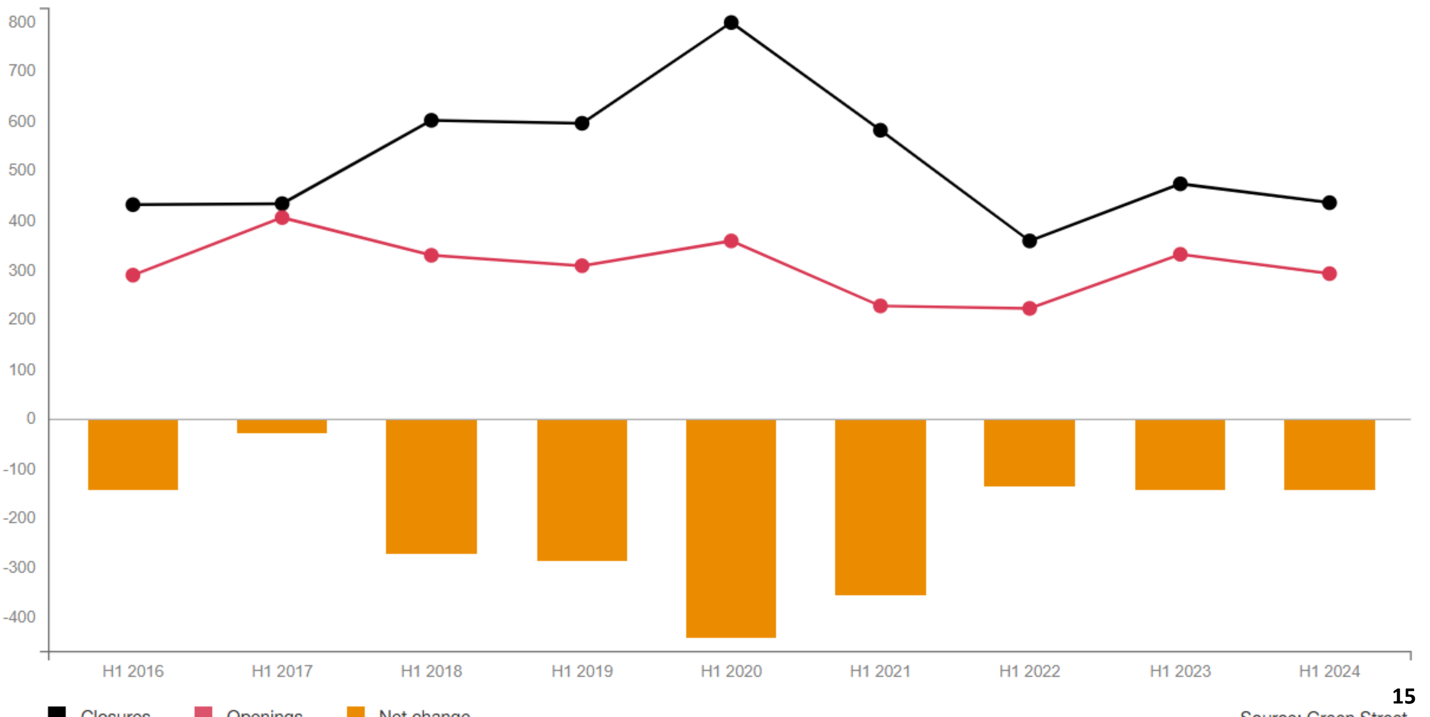
The latest PWC store openings and closures insight which now covers up to H1 2024 shows **net store closures have now been running at a near-stable level for three years**. Compared to H1 2023, nationally, 13 fewer outlet categories are in decline, and half of all net closures are concentrated in just three categories (chemists, chain pubs and banks). With autumn approaching, operators will need to navigate continued pressures: operating costs remain high and energy price inflation is expected. The long-term trend of consumers moving online will continue to take its toll, primarily at the expense of the high street.

For Great Britain, there were 6,945 closures and 4,661 openings meaning in H1 2024 there was a net change of negative 2,284. For the Midlands regions, **the West Midlands had 582 closures and 397 openings which means there was a net change of negative 185. The East Midlands had 436 closures and 293 openings, a net change of negative 143.**

Jan-June openings and closures by year - West Midlands:



Jan-June openings and closures by year - East Midlands:



Women-Powered Businesses

J.P. Morgan Private Bank has partnered with Beauhurst to deliver a comprehensive overview of the women-powered U.K. ecosystem. The term "women-powered" refers to the wide-ranging contributions that women make to the British economy. The annual report platforms high-growth companies that are led or founded by women, majority owned by women or have a management team comprised of at least 50% women. **The U.K.'s high-growth ecosystem comprises just over 49K companies. An analysis of these companies reveals that 14,555 businesses are founded (7,565), led (7,087), owned (7,170), or managed by women (9,117). These companies have a combined annual turnover of £116bn and a 30.2% overall investment share.**

Midlands Spotlight

Birmingham - the U.K.'s second-largest city by population - hosting 11.7% of the high-growth company population in the region. Women-powered businesses represent 28.1% of high-growth companies in the Midlands. Historically, the Midlands has been recognised as a key hub for manufacturing, a sector with a continued presence in the region. High-growth companies have emerged in sectors such as industrials, business and professional services, and technology. Two of the top 10 women-powered businesses in this region are also featured among the top 20 fastest-growing businesses nationally. These include the food distributor Oakland International, ranking 11th, and generator supplier WB Power Services, ranking 13th.

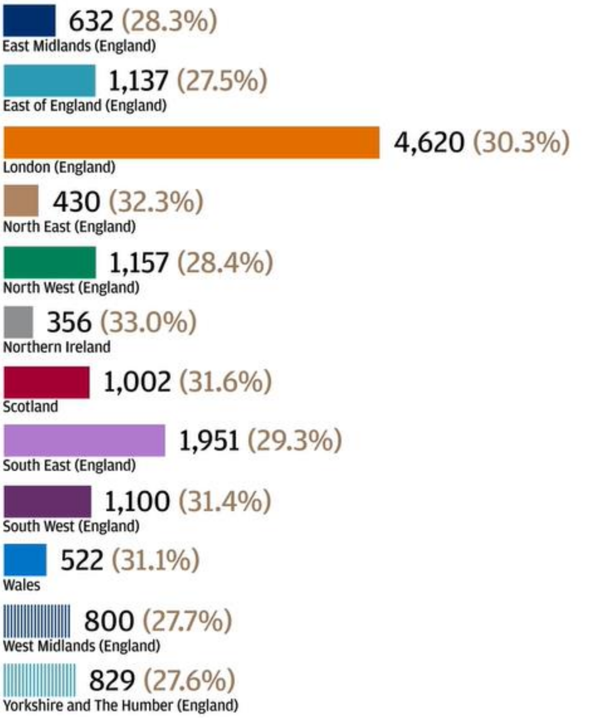
Midlands Key Figures:

- **Between 2014 – 2023, total equity investment in women-powered businesses totalled £728m.**
- **Over the same period, there was £74.6m total grant funding in women-powered businesses.**

Ranking (out of 200) of Midlands based women-powered businesses:

Ranking	Company Name	Sectors
11	Oakland International	Food and drink processing
13	WB Power Services	Mechanical and electrical systems
52	Willshee's	Waste management and recycling
77	Joule's Brewery	Food and drink processing
92	PetShop.co.uk	Application Software
104	Resource Chemical	Chemicals
115	hotelshopUK	Application Software
116	Alpha Designs Upholstery	Furnishings and fixtures
117	Mason & King	Nonprecious metals, steel and other alloys
120	Ronnies	Hospitality

Geographical makeup of women-powered U.K. businesses (2024):



Source: J.P. Morgan Private Bank / Beauhurst

Local Business and Policy Intelligence By Sector

SECTOR	KEY INSIGHTS
Tech / Digital	• **The Leicester and Leicestershire Careers Hub has secured funding to deliver a two-year project across the region helping to bring new talent to emerging digital sectors.** We Discover Digital will create opportunities for local young people to increase their awareness and understanding of vocational and technical routes into cyber and digital careers.
Construction	• **Monthly construction output is estimated to have decreased 0.4% in volume terms in July 2024; this follows an increase of 0.5% in June 2024. The decrease in monthly output came from falls in both new work (0.2%) and repair and maintenance (0.7%).** • **The latest S&P Global construction purchasing managers' index (PMI) scored 53.6 in August.** Any reading above the 50.0 threshold indicates that activity in the industry is increasing, while anything below means it is shrinking. • **Property developers surveyed in the Midlands have pointed to funding as their key concern according to new research from Shawbrook.**
Retail, Hospitality and Tourism	• Retail sales volumes (quantity bought) are estimated to have **risen by 1.0% in August 2024, following a rise of 0.7% in July 2024 (revised up from a 0.5% rise).** Some supermarkets and clothing retailers reported a boost because of warmer weather and end-of-season sales. • The British Retail Consortium report that **sales growth picked up in August, particularly for food as people came together to host barbecue and picnic gatherings for family and friends, and for summer clothing, health & beauty products as people prepared for trips away and summer social events.** While computing did well as university students made the most of summer discounting and readied themselves for the new academic year, other back to school related sales were weaker than normal as some families opted for second hand purchases. • Oxford Economics analysis reveals **pubs contributed £34.4 billion to the economy in 2022, the most recent year on record, and £17.4 billion in tax.** • The British Beer and Pubs Association said it wants a **cut to beer duty, adding that pubs currently make an average of 12p profit on every pint of beer once taxes and costs have been deducted.** • PwC have explored store openings and closures for retailers in January to June 2024, there have been **582 store closures and 397 store openings in the West Midlands, a net change of -185. In the East Midlands there have been 436 closures, 293 openings, net change of -143.**
Manufacturing	• **British industrial facilities pay up to 50% more for electricity than competitors in France and Germany, which is hampering their ability to decarbonise, the steel industry is warning.** Steel UK has warned that power costs for a fully electrified industry would represent up to 180% of the GVA that the sector brings to the economy. • MakeUKs Manufacturing Outlook for Q3 Report reveals **business and economic confidence remains unshaken and has instead improved even further despite the negative performance of output growth and UK orders. West Midlands output is up, employment is down, and investment is down, with a business confidence score of 5.9. East Midlands output is down, employment is down, but investment is up, with confidence at 6.4.**
Environmental Technologies	• **Five million people a year are affected by floods and droughts in the UK, with the number and the cost of damage set to increase in the coming years due to climate change.** However, scientists find predicting their location and measuring their intensity and impact a significant challenge. A new research infrastructure with £38 million in UK funding will advance our understanding of how, when and where floods and droughts occur. **The river Severn, amongst others, is initially being used to test a range of digital instrumentation and monitoring techniques**. • **The UK Government has been urged to develop a National Food Security Strategy to ensure the resilience of the nation's food systems against multiple risks such as extreme weather events and armed conflict.** • LinkedIn data has revealed that while **demand for green skills is expected to double by 2050, the current supply is not keeping pace, leading to a significant skills gap. Countries at the forefront of green talent demand include the UK, where 13% of job roles require at least one green skill.**
Transport Technologies	• **The Midlands Rail Hub programme could yield almost 13,000 new roles,** according to recent analysis. The Hub is the region's biggest and most ambitious rail improvement scheme, which will serve more than 50 stations – covering seven million people across the region, with work expected to run from next year until 2033. Economically, over the course of the project, **Midlands Rail Hub could generate an additional £240m in economic value throughout the supply chain. And a further £45m uplift is expected in social value benefits, thanks to enhanced skills and knowledge and sustained employment.**

Business Insights and Impact on the UK Economy

ONS have published the final results from Wave 116 of the [Business Insights and Conditions Survey (BICS)](#).

Financial Performance

20.2% of West Midlands businesses and 21.7% of East Midlands businesses reported that turnover in August 2024 when compared to the previous month had increased. While 31.9% of West Midlands businesses and 29.4% of East Midlands businesses reported turnover had decreased.

31.1% of West Midlands businesses and 29.9% of East Midlands businesses expect turnover to increase in October 2024. While 11.5% of West Midlands businesses and 10.9% of East Midlands businesses expect turnover to decrease.

Demand for Goods and Services

12.3% of West Midlands businesses and 12.0% of East Midlands businesses reported that domestic demand for goods and services in August 2024 when compared to the previous month had increased. 21.0% of West Midlands businesses and 20.0% of East Midlands businesses reported a decrease.

4.0% of West Midlands businesses and 4.7% of East Midlands businesses reported that international demand for goods and services in August 2024 when to the previous month had increased. 7.0% of West Midlands businesses and 7.1% of East Midlands businesses reported a decrease.

Global Supply Chain Disruption

5.8% of West Midlands businesses and 4.5% of East Midlands businesses experienced global supply chain disruption in August 2024. With 49.4% of West Midlands businesses and 44.6% of East Midlands businesses citing the main reason for disruption was the conflict in the Middle East.

Trade

25.7% of West Midlands businesses and 23.7% of East Midlands businesses both exported and imported in August 2024. 2.7% of West Midlands of 3.3% of East Midlands businesses exported only and 12.0% of West Midlands businesses and 11.9% of East Midlands businesses imported only.

Main Concern for Business

20.7% of West Midlands businesses and 21.5% of East Midlands businesses cited **falling demand of goods and services as the main concern for business** for the upcoming month.

Recruitment Difficulties

17.4% of West Midlands businesses and 17.9% of East Midlands businesses reported **experiencing difficulties in recruiting employees** in August 2024.

Number of Employees

15.3% of West Midlands businesses and 16.6% of East Midlands businesses expect the number of employees in October 2024 to increase. 9.2% of West Midlands businesses and 10.1% of East Midlands businesses expect the number of employees to decrease.

Worker Shortage

17.2% of West Midlands businesses and 17.7% of East Midlands businesses are currently experiencing a shortage of workers. While 67.2% of West Midlands businesses and 66.0% of East Midlands were not.

Insolvency

5.6% of West Midlands businesses and 6.1% of East Midlands businesses were at moderate risk of insolvency. 44.5% of West Midlands businesses and 42.7% of East Midlands businesses reported low risk of insolvency. **38.0% of West Midlands businesses and 38.0% of East Midlands businesses had no risk of insolvency.**

Cash Reserves

7.3% of West Midlands businesses and 7.9% of East Midlands businesses had no cash reserves / less than 1 month. 26.1% of West Midlands businesses and 26.9% of East Midlands businesses had between 1 to 6 months. **45.9% of West Midlands businesses and 44.8% of East Midlands businesses had over 6 months of cash reserves.**

Supply Chains

80.3% of West Midlands businesses and 82.8% of East Midlands businesses were able to get the materials, goods or services it needed from within the UK in August 2024. A further 4.4% 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. 3.0% of West Midlands businesses and 3.1% of East Midlands businesses were not able to get the materials, goods or services needed from within the UK.

Overall Performance

24.9% of West Midlands businesses and 24.4% of East Midlands businesses reported that their overall performance in August 2024 when compared to the same period in the previous year had increased. 24.3% of West Midlands businesses and 21.6% of East Midlands businesses reported performance had decreased.

41.6% of West Midlands businesses and 40.0% of East Midlands businesses expect overall performance to increase over the next 12 months. While 7.0% of West Midlands businesses and 6.5% of East Midlands businesses expect performance to decrease.

Please note – the survey reference period: 1st to 31st August 2024. Survey live period: 2nd to 15th September 2024. The response rates are low and the data is unweighted and should be treated with caution.

4. Inequalities

Good Growth for Cities

As the Government commits to a new era of devolution, the Demos-PwC Good Growth for Cities report looks at the **priorities of communities across the UK, and how local leaders can play a greater role in delivering inclusive economic growth in their areas.**

The disparity both between and within UK cities calls for targeted, place-based development strategies that can become the crucial mechanism for local authorities to respond to these challenges.

Key findings

- **The ongoing squeeze on living standards sees the UK public focus primarily on economic or finance focused measures** - with income, jobs and housing all seeing an increase on last year in relative importance. Along with health, these have seen the largest improvements from last year's Index.
- **On the other hand, the public is less concerned this year with income distribution, skills and the environment.** This is partially due to the shift away from the pandemic, where there was a heightened focus on gaining skills and education in lieu of employment opportunities and the increased attention that was made during this time towards the UK's Net Zero commitments.
- **Plymouth and Bristol rise significantly to first and second place in this year's Index, with Southampton remaining strong in third place.** Plymouth does well on income distribution, work-life balance and jobs to secure first place. Bristol similarly performs well on jobs and work-life balance, also scoring highly on skills.
- **Though the tough macroeconomic environment has affected real economic growth across the UK, we expect a rosier outlook for several cities.** The UK economy is recovering slowly and steadily, and we expect economic growth to bounce back this year and to continue on into 2025. Cardiff, Ipswich and London, for example, are all expected to see growth of at least 1.1% this year and 1.8% in 2025.

Good Growth key performance indicators for Midlands Engine LEP geographies:

	Black Country	Coventry & Warwickshire	Derby, Derbyshire, Nottingham & Nottinghamshire	Greater Birmingham & Solihull	Greater Lincolnshire	Leicester & Leicestershire	Stoke-on-Trent & Staffordshire	The Marches	Worcestershire
Overall Rating	-0.33	0.23	-0.02	-0.31	-0.11	0.18	0.26	0.28	0.41
Jobs	-1.56	-0.11	-0.15	-2.04	0.38	-0.57	0.64	0.66	0.76
Income	-1.46	-0.13	-0.8	-0.77	-0.71	-0.82	-0.56	-0.22	0.29
Health	-1.87	-0.38	-0.82	-1.05	-0.62	-0.21	-0.91	0	0.28
Work-life-balance	2.45	1.27	0.87	1.34	0.01	1.36	0.24	0.32	1.48
New Businesses	-0.39	-0.1	-0.79	0.22	-0.88	0.65	-0.87	-0.63	0.53
Housing	-0.41	-0.07	0.08	-0.56	0.49	-0.23	0.62	0.1	0.38
Transport	-0.03	0.47	0.18	-0.47	0.93	0.51	0.24	1.18	0.23
Skills	-1.33	1.22	0.3	0.82	-1.17	0.92	0.26	0.48	-0.01
Income Distribution	1.32	0.68	0.65	-0.37	1.03	1.16	1.79	0.72	0.13
Environment	0.18	0.04	-0.69	0.51	-2.92	0.11	-0.58	-0.69	-0.06
Safety	-1.43	0.25	0.3	0.26	-0.02	0.3	0.83	0.66	0.51
High Streets & Shops	-1.22	-1	-0.14	-0.63	0.34	-1.14	-0.97	-0.15	-0.82

The Index seeks to recognise that if growth is essentially about improving the prosperity, opportunities and wellbeing of the general public, the focus must go beyond traditional measures of economic success, such as GVA and GDP.

The Worcestershire LEP geography has an overall rating as 0.41, ranking it as **above average**. Coventry and Warwickshire LEP geography, Leicester and Leicestershire LEP geography, Stoke-on-Trent and Staffordshire LEP geography and The Marches LEP geography have an overall rating between 0 – 0.4, ranking them as **average**. Black Country LEP geography, Derby, Derbyshire, Nottingham and Nottinghamshire LEP geography, Greater Birmingham and Solihull LEP geography and Greater Lincolnshire LEP geography rate below 0, ranking them as **below average**. **The Black Country is the worst performing LEP geography, and Worcestershire is the best performing. LEP geographies across the Midlands Engine perform best on work-life-balance, with all areas rated above 0, but are ranked poorly for income, health, environment, and high-streets.**

Please note Local Enterprise Partnerships (LEPs) were officially closed in 2024 as central government core funding ceased and functions transfer to Combined Authorities and local authorities. However, data is still being released and provides useful insights on the area.

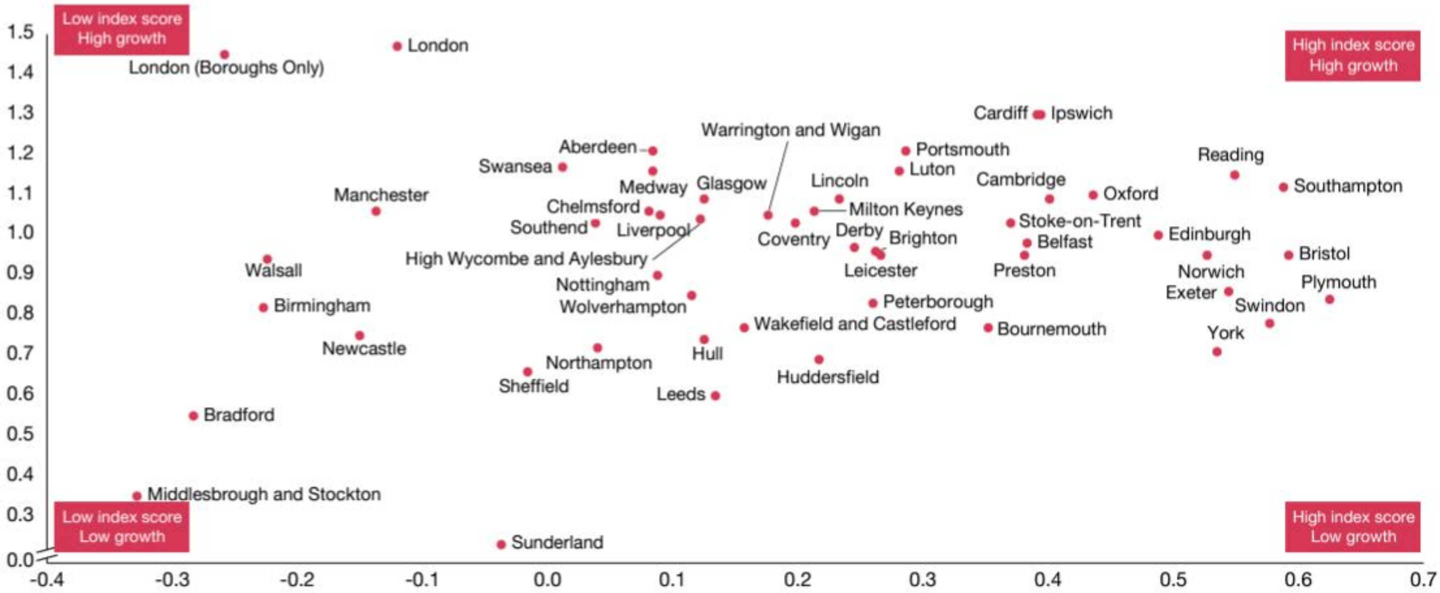
Good Growth for Cities

Good Growth key performance indicators for Midlands Engine Cities:

	Birmingham	Coventry	Derby	Leicester	Lincoln	Nottingham	Stoke-on-Trent	Wolverhampton	Walsall
Overall Rating	-0.23	0.2	0.25	0.27	0.23	0.09	0.37	0.05	-0.21
Jobs	-2.39	-0.22	0.35	-0.26	1.12	-0.56	0.16	-1.03	-2.14
Income	-0.73	-0.04	-0.47	-0.79	-0.6	-0.79	0	-0.7	-0.84
Health	-0.89	-0.11	-0.39	-0.06	-0.59	-0.43	-0.25	-0.46	-0.87
Work-life-balance	1.74	0.64	0.24	1.38	0.69	0.82	0.41	1.04	0.99
New Businesses	0.11	-0.2	-0.58	0.61	-1.13	-0.78	-0.74	-0.81	-0.71
Housing	-0.62	0.07	0.46	-0.24	0.33	-0.01	0.56	0.21	0
Transport	-0.26	0.46	0.62	0.65	0.49	0.29	1.42	0.53	-0.45
Skills	0.56	0.75	0.84	1.11	0.05	0.89	0.9	0.05	0.06
Income Distribution	0.36	0.72	1.16	1.27	1.5	0.97	0.94	1.2	1.41
Environment	0.21	0.28	-0.22	-0.03	-1.14	-0.11	-0.55	-0.54	-0.3
Safety	0.03	0.21	0.59	0.4	0.17	0.54	0.84	0.31	0.09
High Streets & Shops	-0.87	-0.99	-0.37	-0.96	-0.3	-0.29	-0.07	-0.71	-1.75

Overall, Birmingham and Walsall are the poorest rated cities in the Midlands Engine, ranked 47th and 48th out of 51 cities. Stoke-on-Trent is the highest performing Midlands Engine city, ranked 15th.

2024 annual GVA growth rate by city (%) and Good Growth for Cities Index Score:



Challenges and Opportunities Ahead

Housing affordability: Housing affordability has worsened in recent years, with the average house price-to-earnings ratio in the UK currently over eight times, compared to just four times in the 1990s. In cities, a lack of strong housing supply and an increasingly competitive market has caused a steep increase in prices for both buyers and renters, further exacerbated by interest rate rises since 2021.

Homelessness: Homelessness continues to rise across the UK amid ongoing challenges with housing affordability. Issues driving increased homelessness include soaring private sector rental prices, the cost of living crisis and ongoing cuts to public services which have led to intervention rather than prevention from councils.

Education: Access to good quality education varies considerably within and between UK regions. Data from school evaluation bodies demonstrates the inequalities that exist both within and between state education providers across the UK.

Access to jobs: The number of job opportunities available per person in the UK has improved since the financial crisis of 2008, but a large difference remains within and between cities suggesting growing job inequality. Peoples' access to jobs in their local area can be measured by the level of job density-the ratio between the number of workforce jobs and the working age population.

Source: PwC Good Growth for Cities 2024 (pwc.co.uk)

Gross Domestic Household Income

Gross disposable household income (GDHI) is the amount of money that all the individuals in the household sector have available for spending or saving after they have paid direct and indirect taxes and received any direct benefits. GDHI is a concept that is seen to reflect the "material welfare" of the household sector. The household sector includes residents of traditional households, as well as those living in communal establishments. GDHI also includes the business income of self-employed people. GDHI is measured and reported on at current basic prices.

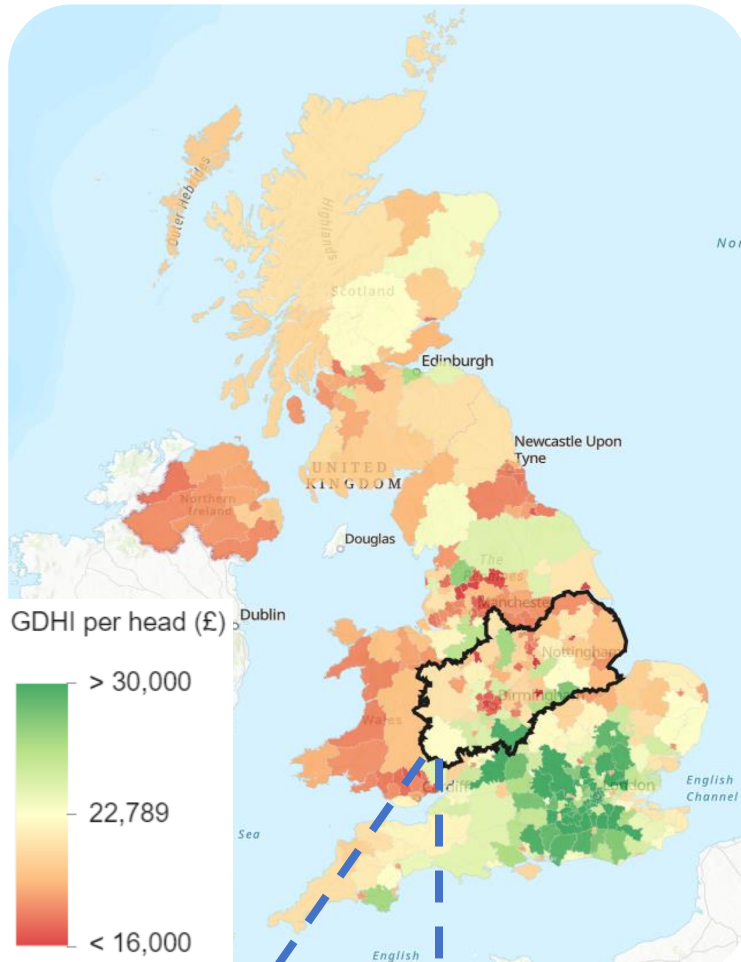
Total GDHI

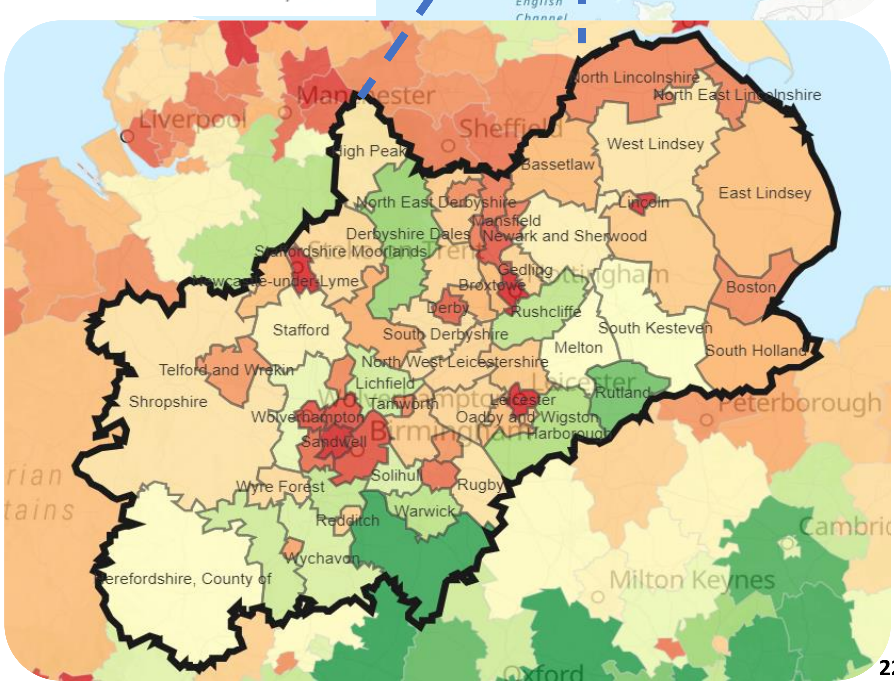
- **The Midlands Engine total GDHI has increased from £192.1bn in 2021 to £204.1bn in 2022.** This equates to a 6.2% (+£12.0bn) annual increase, slightly behind the UK-wide growth of 6.3%.
    - **Within the Midlands Engine all local authorities experienced an increase.**

GDHI per Head

- The **Midlands Engine GDHI per head has increased from £18,512 in 2021 to £19,460 in 2022.** This equates to a 5.1% (+£948) increase, the UK increased by 5.3% (+£1,154) There is a **shortfall of £3,329 to the UK figure** (£22,789).
    - Within the Midlands Engine, **GHDI per head increased across all local authorities.**
    - There were **13 local authorities within the Midlands Engine area where GDHI per head was higher than the UK-wide figure in 2022**, the highest local authority being Stratford-on-Avon (£29,741 which is £6.952 above national average).

GDHI per head compared to National and with a Midlands Engine focus, 2022:





Six areas in the Midlands Engine area were in the bottom ten of all ITL3 areas for lowest GDHI per head. Leicester was the lowest at £15,075, followed by Sandwell which was 2nd lowest at £15,305, Nottingham was 3rd lowest at £15,434.

Stoke-on-Trent was 6th lowest at £15,900, Walsall was 9th lowest at £16,853 and Birmingham was 10th lowest at £16,950.

Source: ONS, [Regional gross disposable household income, UK: 1997 to 2022](), released 2024.

State of the Nation

The Social Mobility Commission have recently published [State of the Nation 2024: Local to National Mapping Opportunities for All.](#) **A person experiences social mobility when they have different life outcomes from their parents**, for example, in income, occupation, housing, education or wealth.

Mobility Since Last Year

- **The attainment gap between pupils eligible for free school meals (FSM) and those not eligible remains largely unchanged from last** year. For example, at age 5 years, there is a consistent gap of around 20 percentage points in the attainment of a 'good level of development'. However, in some cases it has widened, such as key stage 4 (KS4).
- **Among disadvantaged children, girls still do better than boys**. For example, at age 11 years, 47% of disadvantaged girls reach the expected standard in reading, writing and maths, compared with 41% of boys.
- **FSM-eligible children from some ethnic backgrounds achieve very well**. For example, FSM children of Chinese background perform better than the national average for non-FSM children at KS2 and KS4 (11 and 16 years). At age 11 years, 71% of FSM-eligible children of Chinese background reach the required standards.
- **The percentage of children living in relative poverty in the UK (after accounting for housing costs) has risen since 2012 and is at about 30%.** It is still below the levels reached in the 1990s (when the percentage was closer to the mid-30s) but is much higher than historical levels from the 1960s and 70s.
- **Unemployment levels among young people are now the lowest they have been since 2014, at 11% in 2022**. This means that far fewer young people are suffering the negative effects of unemployment.
- However, for those young people who are unemployed, finding a job could be more difficult, **as job vacancy rates have fallen from 0.9 to 0.7 vacancies for every unemployed person between 2022 to 2023.**
- There appears to be a **closing of the socio-economic background (SEB) gap in university enrolment** between 2014 and 2022. In 2014, young people from higher professional backgrounds were 3.9 times more likely to be studying for a degree than those from lower working-class backgrounds. In 2022 they were only 2.2 times more likely.
- **Young people with low qualifications may have closed the earnings gap with their more qualified peers.** For example, there has been a 16% increase in real hourly earnings for people with lower-level qualifications between 2014 to 2016, and 2020 to 2022. This is higher than the increases for all groups with higher-level qualifications

Mobility Across the UK

The Social Mobility Foundation have developed new composite indices of **intermediate outcomes (mobility outcomes earlier in life), and drivers (the enablers of mobility),** at local authority level .

Drivers of mobility:

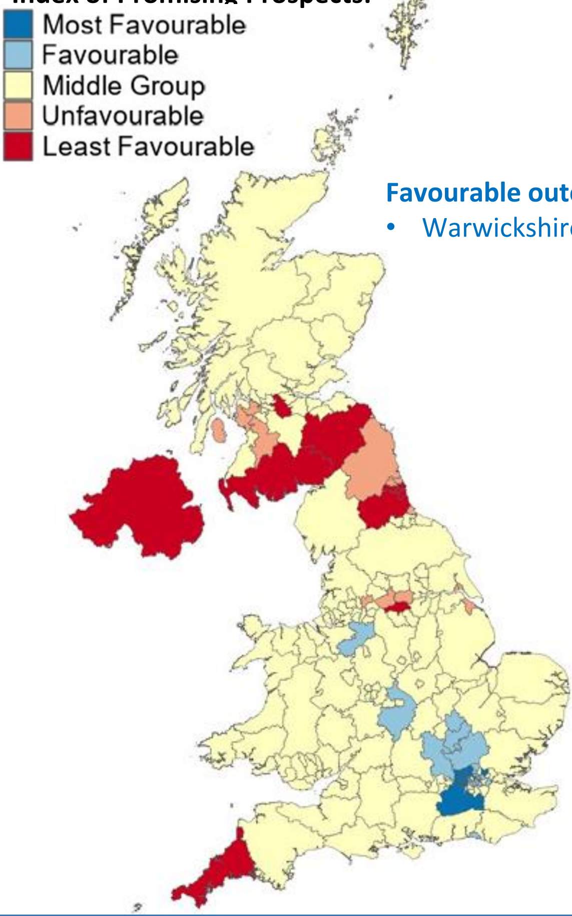
- **Conditions of Childhood: This covers childhood poverty, parental education, parental working-class occupation and parental professional occupation**. The most favourable conditions of childhood tend to be found in affluent areas, mainly Greater London and the Home Counties but also parts of the North and Scotland.
- **Labour Market Opportunities for young people. This covers youth unemployment, youth professional employment, and youth working-class employment.** Results are similar, although the LAs with the less favourable opportunities for young people tend to be in the North East and North West, as well as older industrial and port areas.

Numbers of favourable and unfavourable scores in each region across all 3 composite indices of drivers:

	Favourable	Unfavourable
North East England	0	13
Midlands (East and West)	1	10
Wales	2	18
Scotland	6	18
Other Northern England	8	15
Other Southern and Eastern England	14	3
London Boroughs	37	3
Home Counties[99]	23	0

Source: State of the Nation Report 2024: Local to National, Mapping Opportunities for All - Social Mobility Commission

Index of Promising Prospects:



Favourable outcomes:
- Warwickshire

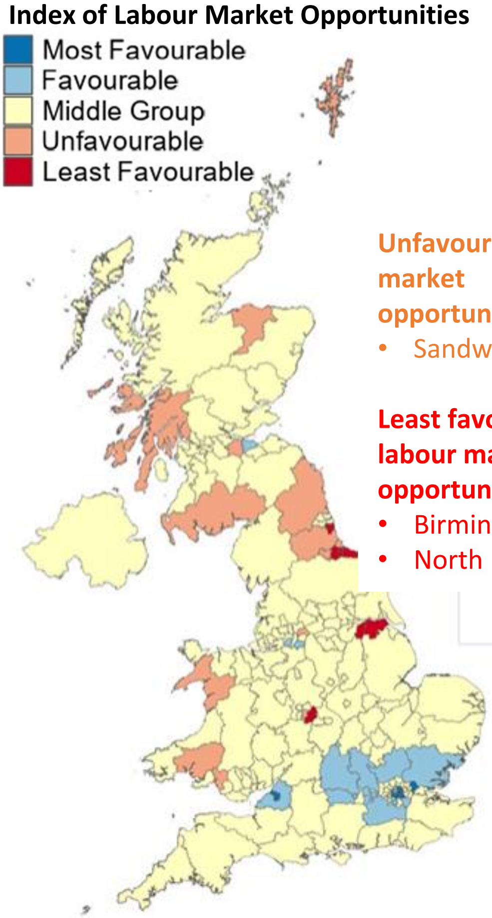
Conditions of Childhood index:

Favourable conditions of childhood
- Rutland

Unfavourable conditions of childhood
- Birmingham
- North Lincolnshire
- Nottingham
- Walsall
- Wolverhampton

Least favourable conditions of childhood
- Leicester
- North East Lincolnshire
- Sandwell
- Stoke-on-Trent

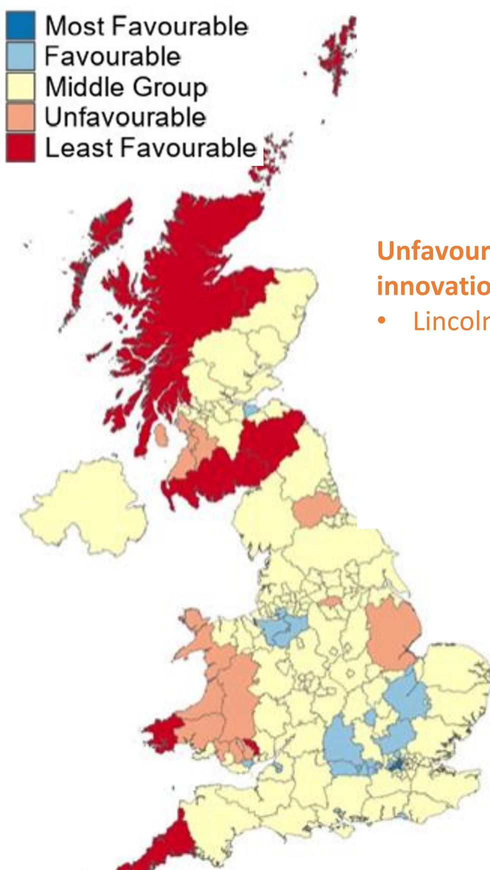
Index of Labour Market Opportunities



Unfavourable labour market opportunities
- Sandwell

Least favourable labour market opportunities
- Birmingham
- North Lincolnshire

Index of Innovation and growth



Unfavourable for innovation and growth
- Lincolnshire CC

Source: *State of the Nation Report 2024: Local to National, Mapping Opportunities for All - Social Mobility Commission*

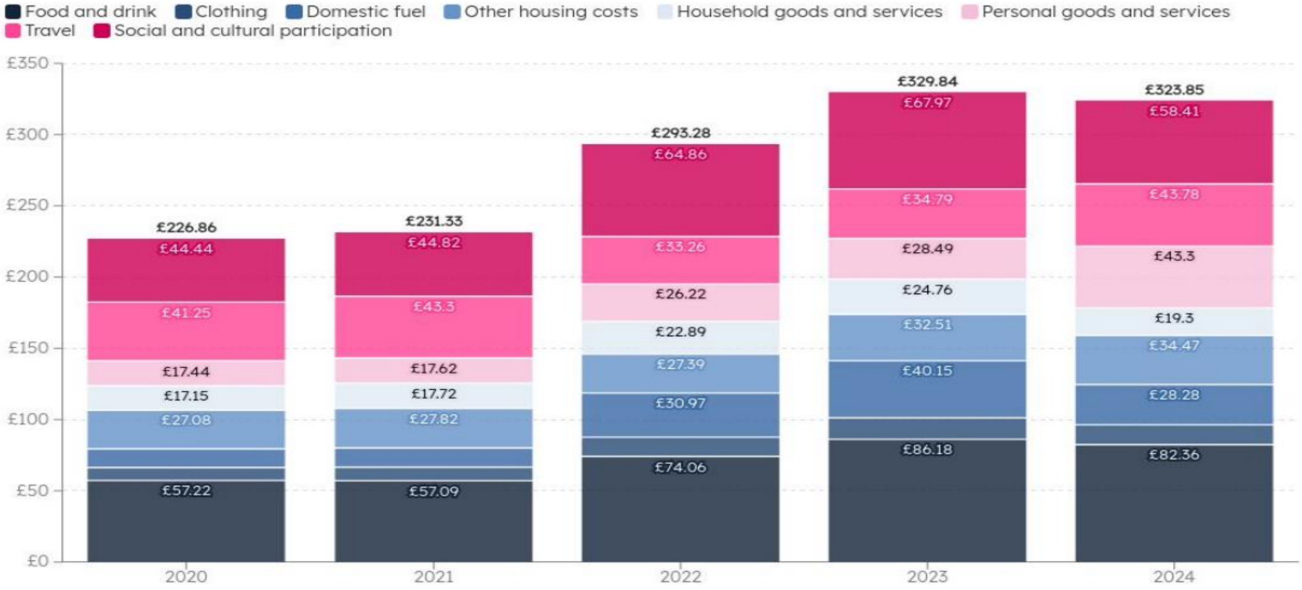
A Minimum Income Standard

The Minimum Income Standard (MIS) for the United Kingdom in 2024 report recently published by Joseph Rowntree Foundation (JRF) **provides a picture of what people agreed a minimum socially acceptable standard would enable people to have and do.**

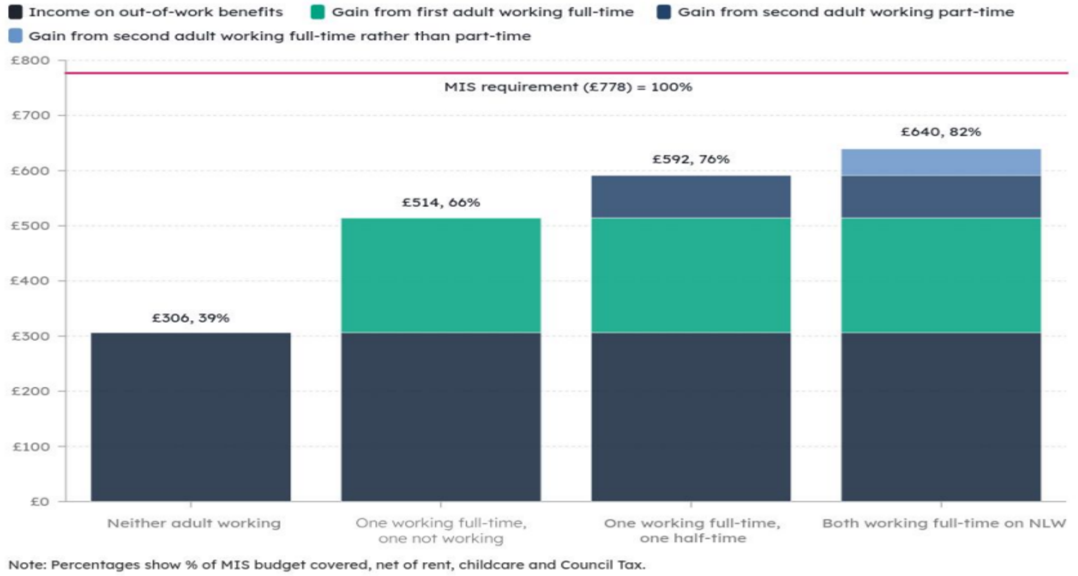
Key Findings:

- Working-age households (both with and without children) have **identified a need for additional financial resources to meet health needs**, reflecting the difficulty of accessing help via the National Health Service (NHS).
- A single person needs to earn **£28,000 a year to reach a minimum acceptable standard of living** in 2024. A couple with 2 children need to earn **£69,400** a year between them.
- April 2024 saw an inflation-based increase in benefits of 6.7%. However, Council Tax, water and broadband prices all rose in April.
- The final cost of living payments, intended to help those households most likely to be affected by rising costs, were made in February 2024, with **no announcements of further support being planned**.
- **Without these payments, working households may struggle to meet the challenges posed by inflation,** even though that fell between May 2023 and April 2024 and is forecast to reach 2% in the second half of 2024.
- Despite this, **a couple with 2 children, where one parent is working full-time on the National Living Wage, and the other is not working, reached only 66% of MIS in 2024, compared with 74% in 2023**.

Composition of MIS budget (excluding rent). 2020 to 2024: single working-age adult:



Couple with two children, one aged 2-4 and one primary school age, weekly disposable income relative to MIS requirement, on out-of-work benefits or National Living Wage, excluding cost-of-living support payments:



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MIDLANDS ENGINE
OBSERVATORY

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