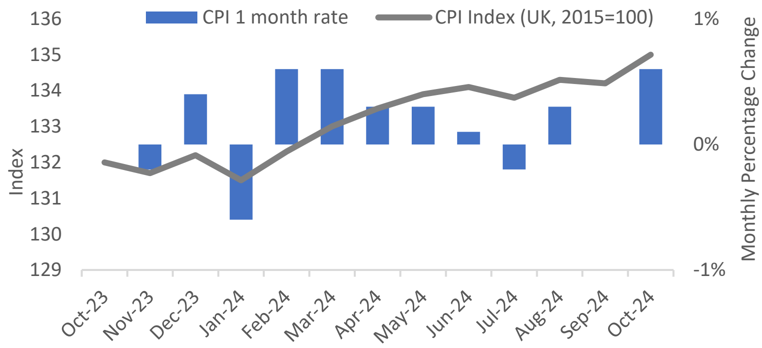
Walsall Monthly Economic Insights, November 2024

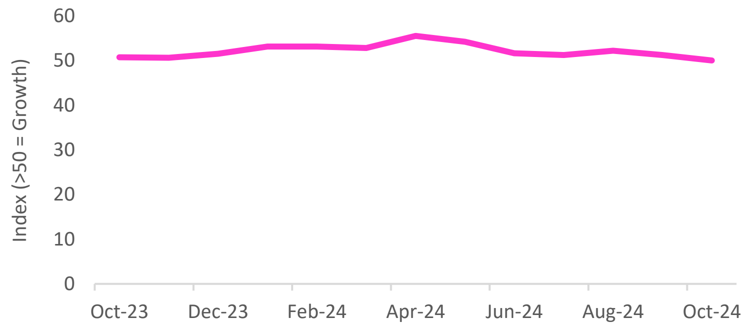
As we enter the winter months, there has been a noticeable change in sentiment following the Autumn Budget. The recent cut to interest rates has made investment more attractive to businesses, hopefully spurring the growth the UK economy needs. But SMEs remain concerned about costs, as do large companies, with profit warnings increasing on the quarter amongst listed companies in the Midlands. The automotive sector is of particular concern, with demand in the sector under greater pressure, with annual car sales in Europe still materially below pre-pandemic levels, and OEMs having to navigate regulatory requirements to increase the mix of electric vehicle sales. Locally, there has been 50% increase in the number of high growth firms in Walsall, an increase in business births, and a decrease in deaths, suggesting resilience.

Monthly Monitoring Indicators

UK Consumer Price Index (CPI)

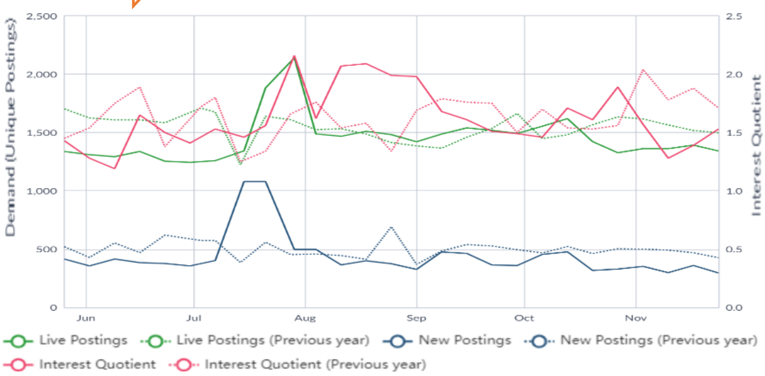


West Midlands Business Activity Index

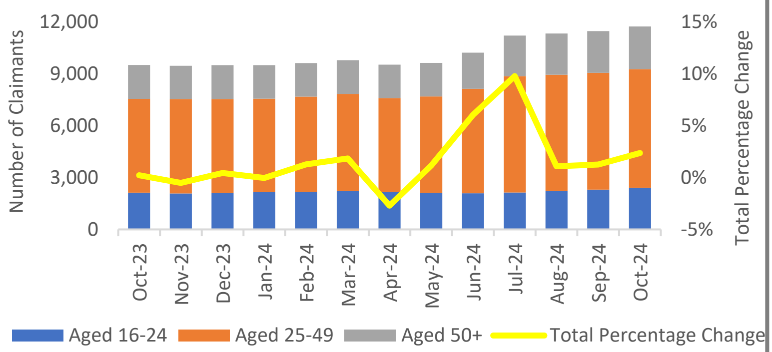


- Utilising a base year of 2015, UK **CPI was 135.0** in October 2024 – **an increase of 0.6% from the previous month**.
- The West Midlands **Business Activity Index decreased** from 51.2 in September 2024 to **50.0 in October 2024.**

Walsall Job Demand and Interest Trend

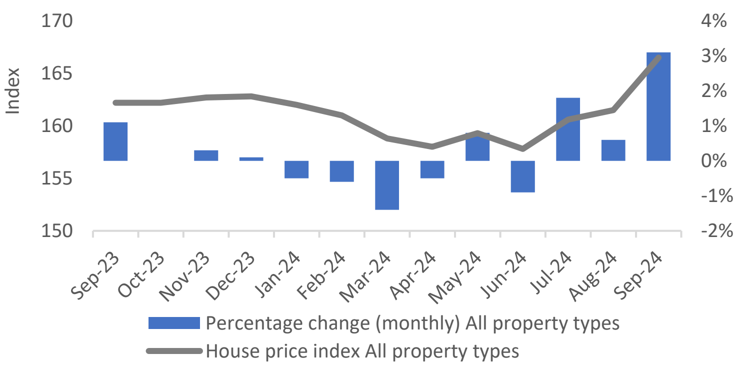


Walsall Claimants

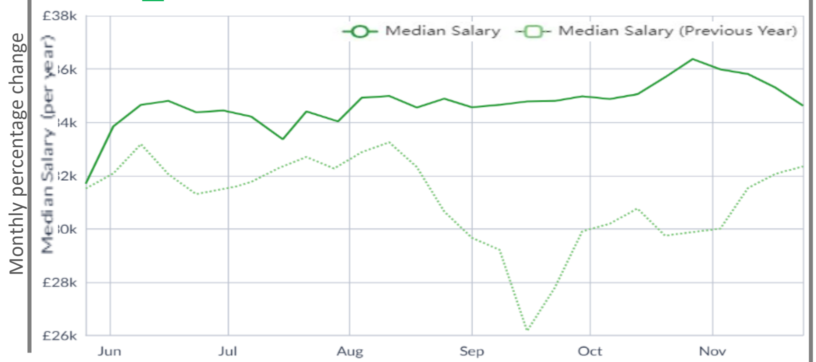


- In the past month: **2,790 job postings (-32.3% YoY), 1,334 new postings (-44.7% YoY).** 1.5 (high) Interest Quotient.
- In total, **11,725 claimants in October 2024**; **+270 since September 2024**, (+2,230 since October '23).

Walsall House Price Index



Walsall Salary Trend



- Walsall's House Price Index was 166.5 in September 2024. The monthly Index **increased by 3.1%.**
- In the past month, on Adzuna: **Median Salary of £35,055**, **+13.5%** year on year.

Other Recent Data Releases

- Office for National Statistics (ONS), published employee earnings in the UK: 2024. Walsall's findings are:
  - **Gross, annual full-time resident earnings: £32,624** an increase of £2,144 (**+7.0%**, UK +6.9%) since 2023. Shortfall of £4,806 to national average (£37,430).
  - **Resident gender pay gap: 14.2%** (UK 7.6%).
  - **Regional low pay: 1.2% paid below National Minimum Wage in the West Midlands** (UK: 1.3%).

- ONS have updated business demography figures to include up to 2023. Walsall's findings are:
  - **1,310 enterprise births**, an increase of 40 (**+3.1%**, UK -17.6%) since 2022
  - **1,230 enterprise deaths**, a decrease of 120 (-8.9%, UK -11.3%) since 2022
  - **9,545 active enterprises**, unchanged (0%, UK -1.9%) since 2022
  - **30 high growth enterprises,** an increase of 10 (**+50.0%**, UK +19.7%) since 2022
  - Of the **1,045 births in 2018, 38.8% (405) were still active after five years** (UK 31.2%).

- ONS have published employees in the UK: provisional results 2023. Walsall's findings are:
  - **99,000 jobs**, a decrease of 3,000 jobs since 2022 (-**2.9%**, England +1.3%).

- ONS have released data for households by combined economic activity status to now cover 2023. Walsall's findings are:
  - **8,600 workless households**, a decrease of 6,300 (-**42.3%**, UK +0.1%) since 2022.
  - Workless households accounted for **10.6% of total households – notably below the national average** of 13.9%.

- ONS have released statistics covering local sites and numbers of employees linked to companies involved in international trade in services which now covers data for 2022. Walsall's findings are for exports:
  - **6,939 local units – of this 3 (0.05%) were linked to an exporting only enterprise** (UK: 0.2%)
  - **85,044 employees – of this 601 (0.71%) were liked to an exporting only enterprise** (UK: 2.3%).

- The EIU have recently published two reports, one which focuses on **hybrid working in the Black Country: Balancing Innovation and Inclusion** and also **Innovation in the Black Country.**

- The Lloyds 2024 UK Consumer Digital Index highlights that for the West Midlands region **that 94% of adults (18+) have life essential digital skills** (UK: 93%). However, this stands at 83% for those achieving the foundation level, below the UK average of 85%.

- The Productivity Institute have recently released a report on making innovation more inclusive which highlights **spatial economic inequalities in R&D** and makes recommendations emphasising the importance of developing data-driven, coordinated approaches, enhancing local innovation ecosystems, and ensuring diversity in innovation practices.

- The Learning and Work Institute have released results from the adult participation in learning survey in 2024 – **the West Midlands regional learning rates were 51%**.

- The ScaleUp Institute have released their ScaleUP Annual Review for 2024. The report finds for the **West Midlands region there were 2,535 scale ups and an additional 1,280 scaling pipeline businesses.**

- The ONS have released data on what skills employers are seeking through labour demand volumes and occupational shortages. There **were 3,240 online job adverts in Walsall in August 2024** and the most in demand occupation was **Business and public service associate professionals (335 job adverts)** accounting for 10.3% of advertised jobs. In **the West Midlands in 2023, 55.4% of advertised jobs were occupations that people met the skill requirements for** (UK, 74.1%).

- The latest data from the ONS Annual Population Survey highlights the **disability employment gap in Walsall**, with a 58.6% employment rate for disabled people, compared to 81.8% for non-disabled people, **a gap of 23.2 percentage points (pp)**. There is a gap of 26.2pp across the UK, as the employment rate for disabled people is 56.1%.

Economy and Business Intelligence

THEME	KEY INSIGHTS
Economic Outlook	• **The overall UK economy had a strong start to 2024, recording substantial GDP growth of 0.7% and 0.5% in the first two quarters, respectively, but growth has fallen in the second half of this year.** • While part of the initial rise reflects a bounce-back recovery from a technical recession at the end of 2023, it was driven by strong consumer sentiment on the demand side and was helped by construction and production firms on the supply side. **Most of the strong start however came from the services sector**, which NIESR estimated to have driven the majority of the growth in the first quarter and almost all of the growth in the second quarter. Since then, **consumer sentiment has fallen sharply and led to a modest fall in per person spending and a rise in household savings**. • Recent data from the Office for National Statistics (ONS) reveals **monthly real gross domestic product (GDP) is estimated to have grown by 0.1% in the three months to September 2024** compared with the three months to June 2024, mainly because of growth in retail trade, excluding motor vehicles and motorcycles, and new construction work. **Monthly real GDP is estimated to have fallen by 0.1% in September 2024, largely because of declines in manufacturing output and information and communication services**, after unrevised growth of 0.2% in August 2024. • **NIESR forecasts GDP to grow by 0.3% in the fourth quarter of 2024.** • The EY ITEM Club **expects GDP growth to be steady rather than spectacular in 2025.** Policy changes in the recent Budget suggest the fiscal stance will be less restrictive than under the previous government's plans, while further gains in real incomes should support consumer spending. However, the lagged passthrough of past interest rate rises will continue to weigh on the growth outlook. • The latest NatWest Purchasing Managers Index (PMI) reports the West Midlands **Business Activity Index decreased from 51.2 in September 2024 to 50.0 in October 2024, registered at the no-change mark to signal the end of a 12-month sequence of expansion. Business activity was affected by uncertainty, competitive conditions and demand weakness.** The UK Business Activity Index decreased from 52.6 in September 2024 to 51.8 in October 2024. • The **West Midlands Future Business Activity Index increased** from 69.8 in September 2024 to 71.0 in October 2024, despite business confidence increasing it is still below the long-run average. Firms that expect output growth in the year ahead were hopeful of a recovery in demand and good sales performances of new product releases.
Trading Environment	• The Consumer Prices Index including owner occupiers' housing costs (CPIH) **rose by 3.2% in the 12 months to October 2024,** up from 2.6% in September. **The Consumer Prices Index (CPI) rose by 2.3% in the 12 months to October 2024,** up from 1.7% in September. The largest upward contribution to the monthly change in both CPIH and CPI annual rates came from **housing and household services, mainly because of electricity and gas prices**. • NIESR's measure of **underlying inflation**, which excludes 5% of the highest and lowest price changes to eliminate volatility and separate the signal from the 'noise', **continued to fall to 1.3%, remaining around the lowest levels in nearly three years.** This is a positive development which indicates that the **headline rate is being driven by large price increases in a few sectors such as energy, with inflation rates broadly falling for most items.** • **NIESR predicts inflation will reach between 2.5% to 3.0% by December 2024, to a peak in January 2025 of 2.8% to 3.5%,** suggesting that inflationary risks have not receded from the UK economy. • While inflation is down considerably from this time last year, the larger than expected uptick in October highlights the continuing price pressures in the economy. Electricity and gas costs have risen sharply, with households facing challenges as we head into winter. British Chamber of Commerce **research** shows that while concerns about inflation have been steadily declining, it remains a significant issue for many businesses. SMEs now face making tough decisions to deal with the increase in National Insurance Contributions, the rise in the National Living Wage and the impact of the Employment Rights Bill. **SMEs are now deeply concerned about rising costs on the horizon next year.** • **80% of Coventry and Warwickshire SMEs with a turnover of between £250,000 and £10 million think that the Autumn Budget will negatively affect their growth plans.** • To help mitigate cost pressures, the British Chamber of Commerce call on government to look to **accelerate the permanent cuts in business rates for retail, hospitality and leisure properties – currently scheduled for 2026.** Much also depends on the government's strategies on industry, infrastructure and trade, as these plans are needed to deliver at pace and help drive forward business growth across the UK. • **The cost of borrowing remains a major barrier to investment, despite the recent interest rate cut by the Bank of England to 4.75%.** Coventry and Warwickshire Growth Hub surveys reveal the reduction in interest rates have made **funding more attractive to local businesses.** • The **Midlands has recorded a rise in start-ups and a fall in the amount of businesses in liquidation with outstanding debts**, according to new data. • EY-Parthenon report reveals **84 profit warnings were issued by UK-listed companies** between July and September 2024, an 11% increase since last year. Over the last year, **one-in-five (19.2%) UK-listed companies has issued a profit warning**

THEME	KEY INSIGHTS
	– the highest rolling 12-month percentage since the pandemic. The number of listed companies in the **Midlands issuing profit warnings increased during the third quarter. The quarterly rise in industrials profit warnings nationally also reflects the pressure we've seen in the automotive sectors in the Midlands.** Demand in the sector is under greater pressure, with annual car sales in Europe still materially below pre-pandemic levels, and OEMs having to navigate regulatory requirements to increase the mix of electric vehicle sales. • **EY note that uncertainty has been a persistent feature of the business environment for several years now** but, unusually, this latest surge in warnings wasn't preceded by a sudden economic downturn or one-off event. **This uncertainty seemed to intensify over the summer as companies awaited the new Chancellor's Autumn Budget and were also affected by ongoing heightened geopolitical tensions**. The latest profit warning data gives us a real-time indicator of this shift in business sentiment and the impact this can have on company earnings. • **The total value of deals in the Midlands surged to £11bn in the first nine months of the year despite a decline in volume**, following a strong performance for large and mega value transactions. Overall, **deal volume has decreased by 9.7%**, from 845 deals in the first nine months of 2023 to 763 deals so far this year. However, the **value of transactions has surged by 80%**, rising from over £6bn to £11bn. This increase is partly attributed to strong performances in the large and mega value ranges, with deal volume increasing by 9% and 100%. • The **new Global Entrepreneurship Monitor (GEM) Women's Entrepreneurship Report** reveals a **significant increase in women's startup activity rates, rising from 6.1% to 10.4%** on average across 30 GEM-participating countries between the 2001-2005 and 2021-2023 surveys. • The latest report from the Office for Students reveals that **72% of universities in England could face deficits by 2025-26**, posing a serious threat not only to higher education but also to the wider economy and UK business. The National Centre for Universities and Business warns the **consequences of closures or scaled-back activities would ripple across industry, impacting businesses that rely on graduate talent and cutting-edge research.** The university sector is a major reason why multinational businesses invest in the UK, providing the workforce and research collaborations that fuel innovation. NCUB call for solutions that protect the unique role universities play in driving growth and global competitiveness.
Labour Market	• Estimates for payrolled employees in the UK decreased by 9,000 (0.0%) between August and September 2024, but rose by 136,000 (0.4%) between September 2023 and September 2024. • **The estimated number of vacancies in the UK decreased in August to October 2024, by 35,000 on the quarter to 831,000**. Vacancies decreased on the quarter for the 28th consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels. • **Annual growth in employees' average regular earnings excluding bonuses in Great Britain was 4.8% in July to September 2024**, and annual growth in total earnings including bonuses was 4.3%. This total annual growth is affected by the civil service one-off payments made in July and August 2023. Real wage growth is expected to remain strong into next year. **This means workers will see a continued recovery in their standard of living.** • **The Midlands recorded accelerated declines in the demand for staff during October**, according to the KPMG and REC, UK Report on Jobs. October data pointed to a sharp and accelerated reduction in permanent placements in the Midlands, extending the current sequence of decline to five months. The rate of contraction was the fastest since January. Temporary billings continued to rise, however, with the rate of expansion solid and faster than in September. Demand for both permanent and temporary workers declined during October, and to larger extents than was the case in September. • The chancellor has opted for a 1.2 percentage point rise in the rate of employer National Insurance Contributions. This is expected to raise up to £25 billion in revenue annually over the next five years. As a **tax on jobs**, NIESR expect this to lead to a **fall in job creation and a gradual rise in the unemployment rate over the forecast horizon.** • Recruitment difficulties are weighing hard on businesses, with latest research showing that over **three quarters of SMEs are still struggling to find staff with the skills they need.** • Research from the Social Mobility Foundation reveals when people from working class backgrounds successfully enter professional occupations, they are paid over **£6,000 less per year than their more privileged peers – effectively working 1 in 8 days for free. This is holding both brilliant people and the UK economy back.** Workers in Northern Ireland face the largest Class Pay Gap, followed by Wales, The South & East of England, the North, and London, who have Class Pay Gaps that range from £4,780 to £7,393. The lowest Class Pay Gaps are found in Scotland, at £2,000, and **the Midlands, at £3,540.** • Recent research from Demos and Co-op found that **improving social mobility in our workplaces could boost annual GDP by £19bn per year.**

THEME	KEY INSIGHTS
	• The Social Mobility Foundation are therefore **calling on the Government to introduce mandatory class pay gap reporting for all large employers to break down barriers to opportunity and unlock the growth that our country desperately needs.** • **Spending on childcare has increased by 41% over the past decade, boosting support for working parents. But major gaps in support mean that parents in education are missing out, with a parent studying in Further Education (FE) in England receiving no guaranteed support**, according to new research published by the Resolution Foundation. • **Low-to-middle income families across Britain have got older and sicker over the past three decades, but they are still more likely to be in work** according to new research from the Resolution Foundation.

Economy and Business Intelligence – By Sector

SECTOR	KEY INSIGHTS
Manufacturing and Engineering	• The region's flagship **Innovation Accelerator and the Made Smarter programme** are to get fresh funding so they can continue to support businesses and drive growth across the West Midlands. **The two programmes have already helped local SMEs to create or upskill almost 5,000 jobs and secure more than £70 million of public and private sector investment.** Made Smarter has provided technical support or grants to 450 manufacturing firms to help them adopt new digital machinery and processes to increase productivity and drive growth. • **SME manufacturers in the West Midlands are calling for more government funding to help them bridge the digital skills divide.** A new report produced by Oxford Innovation Advice said that more than two thirds (67%) of SME manufacturers are calling for additional funding to help address the issue, with 56% of West Midlands firms reportedly unable to address digital skills gaps in their business. The use of apprenticeships to tackle skills was reported by 34% of businesses in the UK, dropping to 19% in the West Midlands. 73% are planning to invest in digital technologies. **41% of manufacturers in the West Midlands are predicting growth in the next six months.** • **Manufacturing output volumes fell** in the quarter to November, and at a faster pace than in the three months to October, according to the CBI's latest Industrial Trends Survey (ITS). **But the near-term picture is more positive, with manufacturers expecting output volumes to rise modestly in the quarter to February**.
Construction	• **Construction output is estimated to have increased by 0.8%** in Quarter 3 (July to Sept) 2024 compared with Quarter 2 (Apr to June) 2024; this came solely from an increase in new work (2.0%), as repair and maintenance fell by 0.6%.
Retail, Hospitality and Tourism	• **Retail sales volumes (quantity bought) are estimated to have fallen by 0.7% in October 2024,** following a rise of 0.1% in September 2024 (revised down from 0.3%). Non-food stores sales volumes fell on the month as retailers reported that Budget uncertainty affected sales. • In the UK, **Black Friday spending is set to reach £7.1 billion, up 36% from last year's £5.2 billion** and 17% on a per head basis. • **After the biggest drop in over two years, consumer sentiment reached 2024's lowest level** in late September. • The British Retail Consortium reports **the retail industry is bracing for £7 billion of additional costs in 2025 as a result of changes to Employers' National Insurance Contributions, an increase to the minimum wage and a new packaging levy.** For an industry that already operates on slim margins, these new costs will inevitably lead to higher prices. **There is also the risk of job losses and store closures if retailers attempt to limit the impact on their customers.** • **A new report from the British Chamber of Commerce reveals:** • **52% of businesses in the visitor economy expect to raise prices in the next three months.** • **21% of hospitality, catering, and tourism businesses expect their turnover to worsen over the next 12 months.** • **61% of visitor economy businesses cite inflation as a growing concern, compared to 49% of all firms.** • **The BBC's investment in Digbeth and the wider West Midlands is to bring more than £280m to the economy and create hundreds of jobs** over the next decade, according to a new report from City Redi.
Digital / Tech	• Deloitte's new report on the **UK Technology Fast 50 reveals 4 of these are in the Midlands.** 842 high-growth tech firms are in the West Midlands. • **The West Midlands has been named one of the top three most innovative places in Europe in recognition of its long-standing role at the cutting edge of new technology.** • UKTN's latest report explores the evolving **AI landscape in the West Midlands, highlighting key startups, investment levels, and growth challenges.** Despite its progress, the report notes that the West Midlands still faces challenges to fully harness AI's potential. Key areas for growth include investment scaling, tech talent development, and infrastructure to support the expansion of AI-based solutions. • The latest report from TechUK shows **the economic impact, as well as the potential to boost the positive impact, of data centres on the UK economy. Data centres are currently contributing:**

SECTOR	KEY INSIGHTS
	• **£4.7 billion in gross added value (GVA) to the UK economy** • **43,500 jobs in the UK economy** • **£640 million in tax to the exchequer** • If the UK can increase its data centre capacity above its recent trend growth rate – from 10% a year to 15% a year – it will result in a: • **£44 billion in additional GVA between 2025-2035 from the construction and operation of data centres** • **40,200 additional jobs directly employed in (often high paying) data centre operational roles** • **18,200 additional jobs directly employed in data centre construction roles over the period 2025-35** • **£9.7 billion in additional tax revenue generated by the industry over the period 2025-35.**
Transport Technologies and Logistics	• **Great Britain's railways contribute significantly to the economic success of the country, delivering £26bn in benefits every year.** The total benefits to passengers are worth £14bn each year. The total value of decreased congestion is worth £8bn to people and businesses each year. £4bn additional benefits from environmental and social benefits and wider economic impacts. **£1.48bn in benefits are delivered to the West Midlands.** £690m passenger benefits, £530m value of decreased congestion, £260m additional benefits – in wider environmental & societal benefits and economic impacts.
Environmental Technologies	• **The UK's largest transmission-connected battery energy storage system (BESS) to date has been connected to the grid.** • A new report by Centrica and FTI Consulting suggests that **hydrogen storage could save the UK up to £1 billion annually by 2050.** This approach would help manage the intermittency of renewable energy and provide a cost-effective way to stabilise the energy grid. • **Hydrogen is forecast to contribute to future droughts in 83% of catchments in England.**

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
COMPANY	**LOCATION**	**SECTOR**	**DETAIL**
Fusion Landscaping & Facilities	Walsall	Landscaping	A **Walsall**-based landscaping specialist has secured a multimillion-pound growth capital investment from private equity-backed environmental services group Servtron in a deal supported by Debrett's. Fusion Landscaping & Facilities, specialises in commercial services including grounds maintenance, landscaping, fencing and cleaning.
Midven	West Midlands	Finance	Midven has announced a £1m partnership with FundingHero to support high-growth businesses in the **West Midlands**.The next FundingHero cohort, starting in January 2025, will see Midven's investment team actively supporting the program and attending the demo day, where companies may be offered term sheets of up to £1m from the West Midlands Co-Investment Fund.
BBC	West Midlands	Creative / Media	The BBC's investment in the **West Midlands** is set to generate an additional £282m in the region by 2031. The investment in the region is expected to create 910 additional full-time equivalent (FTE) jobs. It could also lead to the establishment of 224 new businesses, supporting an additional 7,603 FTE jobs.