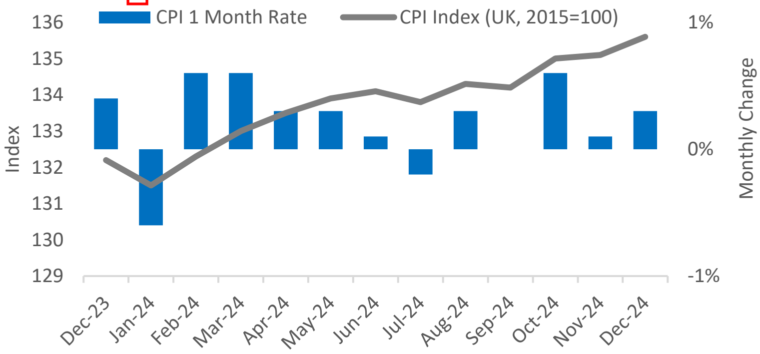
Sandwell Monthly Economic Insights, January 2025

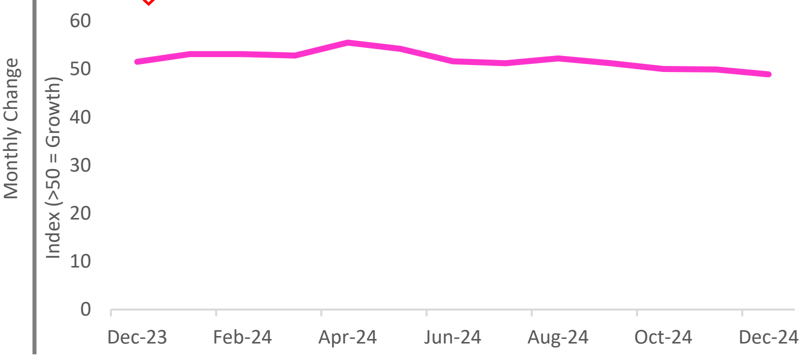
The UK's economic outlook for 2025 remains uncertain, marked by sluggish growth, fluctuating gilt yields, and fears of stagflation. Inflationary pressures continue to weigh on the economy, while business confidence remains fragile, contributing to a rise in insolvencies. At the same time, the labour market is showing signs of weakness, with businesses struggling to hire and wage pressures adding further strain. Recent data shows a decrease in employment rates and an increase in unemployment rates in Sandwell, clearly outlining the challenge to meet the government's 80% target employment rate. Despite challenges, investment opportunities and regional resilience offer some optimism. Local digital connectivity remains high, with the region spotlighted in a recent Digital Index from techuk for its rapidly growing digital economy.

Monthly Monitoring Indicators

UK Consumer Price Index (CPI)

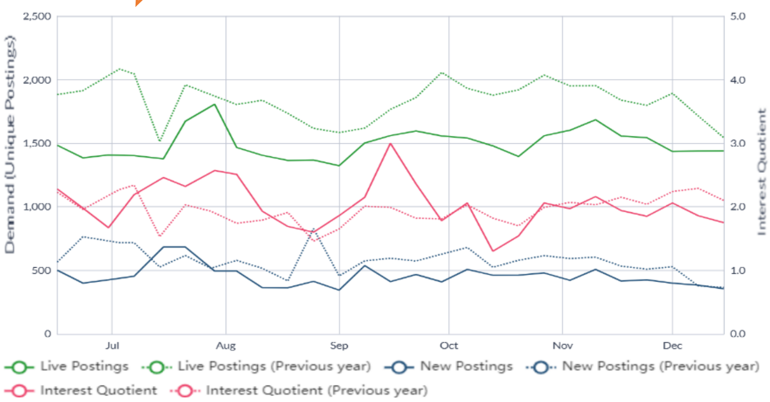


West Midlands Business Activity Index

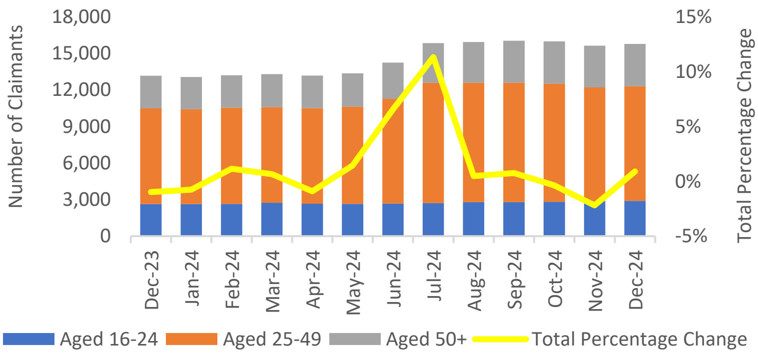


- Utilising a base year of 2015, UK **CPI was 135.6** in December 2024 – **an increase of 0.3% from the previous month.**
- The West Midlands **Business Activity Index decreased** from 49.9 in November 2024 to **48.9 in December 2024.**

Sandwell Job Demand and Interest Trend

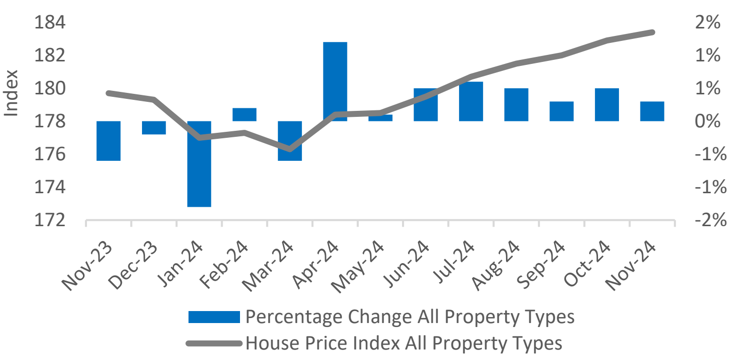


Sandwell Claimants

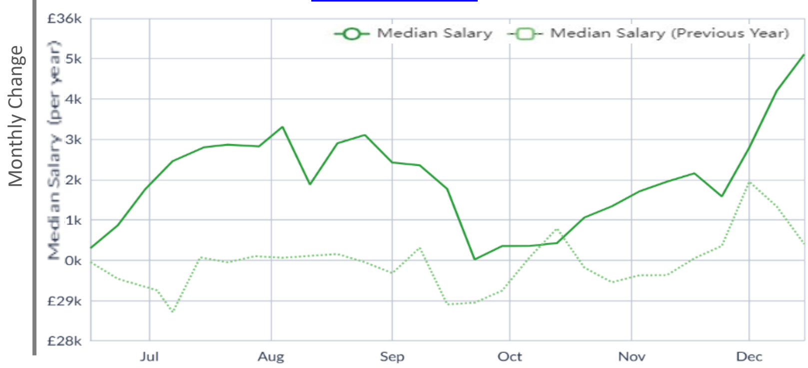


- In the past month: **2,902 job postings (-8.0% YoY), 1,617 new postings (-9.5% YoY).** 1.8 (high) Interest Quotient.
- In total, **15,765 claimants in December 2024**; **+140 since November 2024**, (+2,615 since Dec '23).

Sandwell House Price Index



Sandwell Salary Trend



- Sandwell's **House Price Index was 183.4 in November 2024**. The monthly **Index increased by 0.3%.**
- In the past month, on Adzuna: **Median Salary of £35,541, +16.1% year on year.**

Other Recent Data Releases

- Our 2024 Annual Economic Review for Sandwell has now been published - providing an opportunity to understand the challenges and opportunities facing the area with an overall Black Country report also available.
- The Midlands Engine have published The Midlands Growth Story – a vital tool to supporting the region in driving sustainable economic growth and prosperity. Supported by the Midlands Engine State of the Region 2024 report - the latest evidence-based reflection of how the Midlands has performed over the past calendar year.
- The Office for National Statistics (ONS) Annual Population Survey (APS) has been updated and covers to the year ending September 2024 for Sandwell's economic activity:
  - **Employment rate: 66.4%** (**-3.8pp**, UK -0.3pp to 75.4% compared to the year ending September 2023).
  - **Unemployment rate: 6.6%** (**+0.8pp**, UK -0.1pp to 3.7% compared to the year ending September 2023).
- Ofcom released the annual Connected Nations report, for Sandwell and as July 2024:
  - **90.9% of premises had gigabit connectivity** – above the UK-wide figure of 81.7%
  - **62.3% of premises had full fibre connectivity** – below the UK-wide figure of 67.4%
- The ONS released life expectancy data for local areas of the UK, for Sandwell in 2021 to 2023:
  - **Male life expectancy: 76.3 years** (**unchanged**, Eng. 79.1 years -0.2 years since 2018-20)
  - **Female life expectancy: 80.8 years** (**-0.1 years**, Eng. 83.1 years unchanged since 2018-20)
- The ONS also released Health state life expectancies in England and Wales, for Sandwell in 2021 to 2023:
  - **Male healthy life expectancy: 55.5 years** (**-5.2 years**, Eng. 62.0 years, -1.6 years since 2018-20)
  - **Female healthy life expectancy: 54.8 years** (**-7.5 years**, Eng. 61.9 years, -2.1 years since 2018-20)
- HMRC UK Regional Trade in Goods Statistics reports that for the West Midlands region in the year ending Q3 2024:
  - **Exported £35.4bn** worth of goods, an annual increase of £1.2bn (**+3.5%**, UK: -6.3%)
  - **Imported £42.5bn** worth of goods, an annual decrease of £214m (**-0.5%**, UK: -5.6%).
- HMRC have released Regional Trade in Goods Statistics Disaggregated by Smaller Geographical Areas: 2023. Sandwell's findings are:
  - **Exported £853m and imported £1.9bn** – leading to a trade deficit of £1.1bn.
- Useful local reports on local digital index, economic inactivity, access to good quality childcare and aging populations as well as a variety of regional reports, including; quality of housing, poverty, females investors, skills and learning inequalities, Midlands Space Cluster, advanced digital technologies, innovation, and R&D.

Economy and Business Intelligence

THEME	KEY INSIGHTS
Economic Outlook	• **Forecasting UK economic performance in 2025 is a challenging task. In the first half of 2024, the United Kingdom stood out as one of the top-performing G7 economies, but that momentum faded quickly. Government debt markets across the world are having a jittery start to 2025, and the UK is one of the most affected economies, with gilt yields volatile amid concerns about stagflation.** • Recent data from the ONS reveals **monthly real gross domestic product (GDP) is estimated to have grown by 0.1% in November 2024** largely because of a growth in services, following an unrevised fall of 0.1% in October 2024. **Real GDP is estimated to have shown no growth in the three months to November 2024,** compared with the three months to August 2024. • **NIESR project growth to stagnate in the fourth quarter of 2024**, with flatlining growth in the Services and Production sectors and a slight fall in the Construction sector. An early estimate for the first quarter of 2025 projects growth of 0.3%. This is consistent with signals from the purchasing managers' index and recent business and confidence surveys. • **Recent financial market volatility has further dampened the economy's growth outlook, casting concerns over fiscal sustainability.** However, the increase in government borrowing costs reflects deeper structural issues—including weak productivity growth alongside low levels of investment in the public and private sectors—**which have left the economy more vulnerable to external headwinds**. • British Chamber of Commerce forecasts **expect GDP to pick up slightly in 2025 and 2026,** but this is driven largely by increased government spending. Right now, firms are struggling to deal with a raft of extra costs following the Budget. Investment levels are likely to remain low for the foreseeable future, as businesses try to balance their books. The BCC urge government action to **ease cost-pressures and spark investment** by focussing on business rates reform, infrastructure projects and promoting trade to unlock economic growth.

THEME	KEY INSIGHTS
	• **The outlook for 2025 will be challenging for many small to medium sized businesses who rely on shareholder and lender support to continue as a going concern.** Christmas trading was subdued for many businesses, and PwC expect to see an **increase in insolvency filings in January and February as companies take stock of their results and look toward impending tax changes in April**. PwC will need to see an uptick in market sentiment and consumer appetite, to avoid the risk of corporate insolvency levels in 2025 remaining at some of the highest levels seen in decades. • Despite a weak end to 2024, the EY ITEM Club expects **growth to pick up in 2025**. Further real income growth and lower levels of consumer caution will support household spending. But the lagged impact of past monetary tightening will continue to emerge, and fiscal policy will become more restrictive, preventing a stronger pickup in activity. • However, **61% of UK CEOs are optimistic about UK economic growth in the next 12 months (up from 39% in 2023), and are also positive about the global outlook (64% expect this to improve, compared with 58% of CEOs globally).** Longer-term confidence in their own business has declined slightly since last year, with 57% of UK CEOs feeling very positive about their organisation's prospects over three years, compared with 61% last year. • The Institute of Directors (IoD) has published a new policy paper, Annual Policy Outlook: Trends, risks and opportunities for business in 2025. **The paper reviews the main UK policy developments that affected business in 2024, and explores the economic, political, technological and geopolitical risks and opportunities facing UK business in the year ahead.**

Trading Environment	• The Consumer Prices Index including owner occupiers' housing costs (CPIH) **rose by 3.5% in the 12 months to December 2024**, unchanged from November. **The Consumer Prices Index (CPI) rose by 2.5% in the 12 months to December 2024**, down from 2.6% in the 12 months to November. The largest downward contribution to the monthly change in both CPIH and CPI annual rates came from **restaurants and hotels**; the largest upward contribution to both came from **transport**.
	• 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', **recorded 1.3%**. This low figure indicates that the **headline rate is being driven by large price increases in a few sectors, with inflation rates broadly falling for most items.**
	• NIESR predicts **inflationary pressures stemming from the new budget, and global uncertainty surrounding the Trump presidency will likely keep interest rates higher for longer than previously anticipated.**
	• The latest Quarterly Economic survey by the British Chamber of Commerce reveals mixed business sentiment:
	• **63% of businesses say tax, including national insurance, is now a concern, following the Chancellor's Budget – the highest level since 2017**
	  ○ **Business confidence has slipped to its lowest level** since the aftermath of the mini-Budget in Autumn 2022
	  ○ **Many firms (55%) now expect prices to go up in the next three months,** with labour costs the biggest driver
	  ○ **Only 20% of businesses have increased investment in the past three months –** 24% have decreased
	  ○ **Business conditions are weak,** with only 24% of firms reporting increased cashflow and 30% a decrease.
	• The latest Black Country Chamber of Commerce Quarterly Economic Survey shows that **local companies are reassessing their plans following the recent Budget**, just as businesses are doing nationally, with taxation their primary concern. Businesses here have previously been more optimistic than British businesses overall, which highlights their resilience. Recent Black Country surveys showed confidence remained consistently high until now.
	• Sentiment tracked by ICAEW's Business Confidence Monitor put **sentiment at just 0.2 on the index, the weakest reading since Q4 2022** and down from 14.4 in the previous quarter. **This decline in confidence reflected record concerns over the tax burden and weaker domestic sales growth**. **Drops in confidence were recorded in every sector** of the economy, with retail and wholesale businesses hardest hit. ICAEW's latest BCM also revealed that the number of businesses reporting the tax burden as a growing challenge hit a record high at 41% in Q4.
	• **The UK has risen to become the second-most attractive global destination for international investment** according to PwC's 28th Annual Global CEO Survey. This is the first time the UK has secured this spot in the 28-year history of the survey. This shift in attitude towards the UK comes at a time when CEOs globally are looking at new sectors and markets - more than a third said they had started to compete in new sectors in the last five years - to stay competitive.
	• Encouragingly, **total insolvency figures didn't hit the same peak levels as 2023, and December 2024 also saw some respite** compared to the previous month. PwC analysis shows that some sectors are more disproportionately affected than others, with retail related insolvencies increasing by over 30% in December compared to November - with the equivalent of six retailers going out of business every day. Restaurants, however, saw a 50% reduction in insolvencies month-on-month. **Manufacturing failures were up by over 25% month-on-month, and construction continues to account for a considerable number of corporate bankruptcies, with over 220 in December alone.**
	• Following a slow 2023, **M&A activity in the UK's financial services industry picked up in 2024**, with a 26% year-on-year increase in the number of deals, according to EY. UK banks, insurers and asset managers publicly disclosed 380 M&A

THEME	KEY INSIGHTS
	deals in 2024 – the highest annual volume since 2012 – compared to 272 deals in 2023. **The total disclosed deal value also rose from £12.5bn in 2023 to £20.2bn in 2024.** • Accountancy and business advisory firm, BDO LLP has advised on **69 deals** across the Midlands and East of England with a combined value of **£3.4bn in 2024**. Deal activity spanned 10 sectors, with over a third of BDO's activity international/cross-border in nature. • Social impact lender UKSE says **West Midlands businesses remain optimistic and ready to grow.** UKSE West Midlands has provided £1.87m to local companies via a mixture of debt and equity, creating 96 jobs.

Labour Market	• Estimates for payrolled employees in the UK **decreased by 32,000 (0.1%) between October and November 2024** but **rose by 95,000 (0.3%) between November 2023 and November 2024**.
	• **The estimated number of vacancies in the UK decreased by 24,000 on the quarter** to 812,000 in October to December 2024. Vacancies decreased on the quarter for the **30th consecutive period** but are still above pre-coronavirus (COVID-19) pandemic levels.
	• **Annual growth in employees' average earnings for both regular (excluding bonuses) and total earnings (including bonuses) in Great Britain was 5.6% in September to November 2024.** NIESR **forecast total pay growth to slow to 4.6** in Q1 of 2025.
	• Institute of Directors data shows that, despite some recovery in December, **employer hiring intentions remain around lows reached in 2020. The significant increases in employer NI, the forthcoming increase in the minimum wage and concerns over the cost of employment rights continue to sap demand for workers.** With the economy likely to have flatlined over the second half of 2024, the labour market is softening sharply.
	• The latest Quarterly Recruitment Survey by the British Chamber of Commerce reveals workforce growth struggles:
	  ○ **The proportion of firms who increased their workforce falls to less than a quarter (24%)** from 27% in Q3
	  ○ **Of those attempting to recruit 79% of firms faced difficulties,** up from 76% last quarter
	  ○ **75% of firms say they are facing pressure to put up prices because of labour costs**
	  ○ **Construction (83%) manufacturing (82%) and transport and logistics (81%) firms most likely to be facing recruitment problems**
	  ○ **19% of firms reduced training investment,** up from 13% in the previous quarter.
	• Grant Thornton's Business Outlook Tracker reveals **over half (52%) of the businesses surveyed anticipate that they will have to reduce hiring or cut jobs and offer reduced or no pay increases and bonuses to their employees, due to the increasing cost burden.** Two thirds (66%) also plan to review their employee benefits offering, with 16% expecting to reduce their investment in employee reward and benefits over the next six months.
	• **Permanent staff appointments in the Midlands fell at the fastest pace for 16 months,** according to the latest KPMG and REC UK Report on Jobs survey. Temporary billings continued to increase, albeit at a softer rate than that seen in November. Demand for permanent staff continued to fall in December, with the rate of decrease the most pronounced in four-and-a-half years.
	• Half of UK employees struggle with sleep, impacting wellbeing, mood and workplace safety, says leading UK sleep charity, Sleep Action. **Sleep deprivation could be costing Midlands businesses £1,248 per employee per year.**

Economy and Business Intelligence – By Sector

SECTOR	KEY INSIGHTS
Manufacturing and Engineering	• **UK manufacturing exhibited a particularly sharp drag on economic output in December.** In many parts of the manufacturing sector, sector-level Output PMIs were well below the 50.0 no-change mark, signalling steep rates of decline. **Firms reported weak demand both at home and from abroad with new export orders falling at the quickest pace in ten months.** • **Sentiment across the manufacturing sector fell at the fastest pace in over two years** in January, according to the Confederation of British Industry's (CBI) latest quarterly Industrial Trends Survey. • **For UK manufacturers, 2025 will be defined by the ability to adapt.** With government policies and uncertainty over energy bills increasing pressure on costs, **manufacturers are looking for ways to boost productivity and accelerate growth. And with the announcement of a new UK industrial strategy, the sector will be critical in unlocking the UK's economic potential.** • The Make UK Executive Survey reveals **those feeling optimistic are eyeing the opportunity: almost one third of manufacturers (29%) are looking to technology, cloud and artificial intelligence (AI)** to succeed in 2025, aiming to boost productivity and reduce overheads.

SECTOR	KEY INSIGHTS
	• Make UK has warned **the cost of electricity is deterring international factory investment in the UK**, creating an "unseen queue" of projects that will eventually have to be connected to the grid, adding **the cost of electricity is the "single biggest barrier" to industry's efforts to decarbonise its activities**. • The Confederation of British Metalforming (CBM), a trade body that represents 200 companies has called for **"serious backing" for Midlands manufacturers** as part of the Government's new industrial strategy.
Construction	• Construction output **is estimated to have increased by 0.4% in volume terms in** November 2024; this follows an upwardly revised decrease of 0.3% in October 2024. This increase in monthly output came from rises in both new work (0.3%) and repair and maintenance (0.5%).
Retail, Hospitality and Tourism	• Retail sales volumes **(quantity bought) are estimated to have fallen by 0.3% in December 2024, following a small rise of 0.1% in November 2024 (revised down from 0.2%).** Falls in supermarkets were partly offset by a rise in non-food stores, such as clothing retailers, which rebounded from falls in recent months. • **The British Retail Consortium warns consumers are feeling the January Blues as consumer confidence in the economy fell to a new low, with concerns most pronounced among older generations.** Gen Z (18-27) remain the only group to expect the economy to improve, while two-thirds of Boomers (60-78) expect things to get worse. Feelings around people's own finances fell slightly, with older generations remaining the most pessimistic. **Expectations of retail spending and wider spending both fell significantly, though much of this is likely to be the end of the Christmas period, as people tightened their belts for the new year ahead.** On top of this challenging market backdrop, **retailers are facing £7bn in additional costs from the Budget and new packaging levy.** With retailers' tight margins leaving little scope to absorb more costs, many are warning of price rises and job cuts in the coming months. • **A total of 12 West Midlands businesses are also named as recipients of a share in a £16.2m Cultural Development Fund.** The **£60m investment** will help make West Midlands 'creative powerhouse'.
Digital / Tech	• **More than 100 AI trials, including 12 in the West Midlands, will receive a share of £7 million in Government funding to boost productivity and drive innovation in small businesses.** • Data centres often conjure an image of a pristine and immaculate site, newly built with all the bells and whistles to support the growing demands for colocation/ GenAI services. **However, for 47% of global facilities (built over 11 years ago) this is not the case and their aging mechanical and electrical (M&E) equipment can drastically impact valuations when disposing/ acquiring these sites.** • The Local Digital Index reveals within the WMCA area there are 6 data centres; 5 in Wolverhampton and 1 in Coventry.
Transport Technologies and Logistics	• In contrast to the growth period for UK new car registrations during the first seven months of 2024, **last year ended on a downward trajectory**, with year-on-year declines in each month of the last quarter. New car sales declined marginally by 0.2% year-on-year in December, marking a fourth and final fall of 2024. This resulted in an overall increase for the year of 2.6% and a total of 1.953 million sales. **The key reasons behind last month's fall in registrations mirrored the challenges that have faced the UK's automotive sector throughout the year, including a challenging regulatory environment, increasing competition and costs, and changing consumer needs.** • **Birmingham Airport is set to invest a million pounds per week in improving facilities "for the foreseeable future", with high single digit growth forecast**, boosted by recent decisions allowing an increase in the number of night flights arriving and departing.
Environmental Technologies	• **Researchers developing cutting-edge fusion energy are being given investment of £410m investment to kickstart economic growth**. The funding will support rapid development of the UK fusion energy sector over the next two years, with investment in the skills needed for scientists, engineers, welders and programme managers to enter the cutting-edge industry. Fusion already supports at least 2,400 jobs in the UK, with thousands more to follow as the technology advances. • **The UK's energy storage boom slowed in 2024, with a 40% drop in submitted capacity compared to 2023.** While the UK remains a leader in operational storage, with 7GWh installed, rejection rates rose due to **community concerns over fire risks**. • **Electric vehicles could account for 5% of the UK's total power demand by 2030, raising concerns over whether energy capacity can keep up.** With the government pushing for 80% of new car sales to be electric, analysts at Montel warn that the grid faces an uphill battle to meet rising demand.

NEW ECONOMIC SHOCKS			
COMPANY	**LOCATION**	**SECTOR**	**DETAIL**
The Rical Group	Smethwick	Manufacturing	A Black Country manufacturing group has collapsed into administration, placing 185 jobs at risk. The Rical Group, headquartered in **Smethwick**, manufactures fine blanking, metal pressings and fabrications for customers across sectors such as automotive, defence, jewellery, construction and catering.

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
COMPANY	**LOCATION**	**SECTOR**	**DETAIL**
Polydrain Civils	Sandwell	Manufacturing	Two adjoining warehouses spanning more than 61,000 sq ft have been sold for a multi-million-pound sum to a plastic drainage components specialist. Watling Real Estate handled the sale with Polydrain Civils acquiring the properties for its own use. Situated on a three-acre site, Units 1 & 2 Ridgacre Road in **West Bromwich** were marketed with a guide price of £3m.