MIDLANDS ENGINE OBSERVATORY

MIDLANDS ENGINE

REGIONAL ECONOMIC IMPACT MONITOR

EDITION 56: MARCH 2025

Executive Summary

As the Chancellor delivered her Spring statement, continuing the mission to deliver stronger economic growth for the UK, businesses welcomed pledges to cut red tape and unnecessary regulation, saying the focus must be on removing barriers to growth. However, the Office for Budget Responsibility (OBR) have **revised down their growth targets in the UK for 2025 from 2% to 1%.** In the March edition of the Midlands Regional Economic Impact Monitor we look back on 2024 regional economic performance and explore the outlook for 2025 and beyond:

- The UK economy experienced a solid start to the year in 2024, with the economy seeing a modest rebound following a 'mini recession' at the end of 2023. However, **the second half of the year saw a return to stagnation**. Looking across the UK, the West Midlands was the 5th fastest growing region in GVA terms in 2024 at 1.0%, whereas **the East Midlands was the slowest region (+0.5%).**
- The EY UK Regional Economic Forecast expects the **UK regional economic gap to widen over the next three years.** The UK overall is expected to see annual average GVA growth of 1.6% between 2025 and 2028 as the combined impact of rising real wages, falling inflation and interest rate reductions help economic momentum start to build towards the end of this year. Steady economic growth is expected for all parts of the UK between 2025 and 2028, but the **Midlands is forecast to see slower-than-average GVA growth**.
- **Both the East Midlands (0.6%) and West Midlands (0.6%) are also expected to experience employment growth below the UK average (0.7%) from 2025 to 2028.**

Confidence of Midlands businesses remains mixed, but hopeful for the future:

- **West Midlands Business Activity Index remains below the 50 growth mark**, at 48.7, a slight increase from the previous month. Companies linked a decline in activity to price pressures and the loss of existing clients, but other firms pointed to an expected recovery in new contract wins. This translated to the West Midlands reporting the **highest level of confidence in the Future Business Activity Index since August 2024 and the highest level of all UK regions.**
- **In the East Midlands, the Business Activity Index decreased to 44.7,** linked to lower new orders and a lack of market confidence. The Future Business Activity Index decreased slightly to 68.2, the 2nd highest rate across the UK.

In this month's monitor we detail a series of work demonstrating the regions vibrant commercialisation ecosystem, including:

- **Start-ups & University Spinouts:** Since 2010, **5,500 tech** companies and start-ups have been founded in the Midlands, with a collective valuation in excess of **$15.9bn** and employing an estimated **109,000** people. Midlands spinouts are highly productive, intellectual property-rich businesses, with those founded since 2010 generating an **estimated annual GVA in excess of £768m,** with strengths in the Life Sciences and Net Zero sectors.
- The 2025 Gender Index reports on successes in Midlands female entrepreneurship: For the **West Midlands, 19.8% (82,810) active companies were female-led, with 9.5% (39,869) ethnic minority female-led.** With 91 or 0.02% were female-led fast growth companies. For the **East Midlands, 19.6% (56,742) active companies were female-led, with 7.7% (22,190) ethnic minority female-led**. With 55 or 0.02% were female-led fast growth companies.

Meanwhile the State of Small Business Britain report details how the past 12 months has been another extremely challenging period for the country's small businesses. At the same time as managing the ongoing cost-of-living pressures and operating within a general climate of economic uncertainty, business leaders have also had to deal with the implications of some major technological and societal shifts, all whilst navigating a fragmented business support system.

- **FSB's Small Business Index for Q4 2024** reports a decrease to -64.5 in Q4 2024 from -24.4 in Q3. This marks the lowest reading since Q1 2020. Amongst regions, the **West Midlands experienced the smallest, albeit still substantial, decline in its SBI score, falling 23.3 points from Q3 2024 to -61.2 in Q4. The East Midlands recorded the least negative score, albeit still low at -53.9.**

Elsewhere, the monitor explores opportunities for local growth and prosperity:

- The Midlands Engine have developed a Place Based Prosperity White Paper which provides insights and **recommendations to attract large-scale, long-term, socially responsible private investment for economic, social, and environmental prosperity across the Midlands region**.
- The East Midlands Inclusive Growth Commission makes recommendations on what a truly inclusive growth strategy for the region would look like.

1. Economic and Labour Market Impacts

Spring Statement 2025

The Chancellor of the Exchequer presented her [Spring Statement 2025] to Parliament to outline economic forecasts, changes in government spending and planning for growth and stability.

Economic Forecasts

The Office for Budget Responsibility (OBR) have **revised down their growth targets in the UK for 2025 from 2% to 1%. However, from 2026 onwards, previous growth forecasts have been revised up with growth predicted to be 1.9% in 2026, 1.8% in 2027, 1.7% in 2028 and 1.8% in 2029.** By the end of the forecasting period, the economy is expected to be larger than the OBR's forecast at the time of last year's autumn budget. Measures set by the Chancellor are expected to restore the government's fiscal headroom to a surplus of £6bn in 2027-28, rising to £9.9bn in 2029-30. Government's budget is expected move from a deficit of £36.1bn in 2025-26 and £13.4bn in 2026-27, to a surplus of £6bn in 2027-28, £7.1bn in 2028-29 and £9.9bn in 2029-30. Net financial debt is expected to be 83.5% in 2026-27 and fall thereafter. OBR forecasts show CPI will average 3.2% this year before falling "rapidly", meeting the Bank of England's 2% target from 2027 onwards.

Planning and Growth

The OBR has considered the Chancellor's planning reforms and has concluded that they will increase the level of real GDP by 0.2% in 2029-30, equating to an additional £6.8bn for the UK economy. This is expected to reach 0.4% by 2034-35. The Chancellor has also announced **strategic partnerships between the National Wealth Fund** and Greater Manchester, West Yorkshire, **West Midlands**, and Glasgow City Region to help regions develop and secure long-term investment opportunities.

Household Income

Real household disposable income is expected to grow at **twice the rate** expected in the Autumn, with household income expected to increase by around 0.5% per year from 2025-26 to 2029-30, led by stronger wage growth and inflation starting to fall later in the forecast period. Households are expected to be on average £500 per year better off.

Taxation

There were no further tax increases announced in the spring statement; however, tax evasion was addressed with investment in technology to help HMRC crack down on tax avoidance which is expected to raise a further £1bn, taking the total to £7.5bn. HMRC is expanding its counter-fraud capability to increase the number of annual charging decisions for the most harmful fraud by 20%.

Welfare Spending

Additional employment, health and skills support from 2026-27 was announced to **help people start or stay in work**, scaling up to £1 billion a year by 2029-30, as well as £400m to support jobcentres. Additionally, following the announced £100bn of capital spending investment in the autumn, capital spending will increase by £2bn per year with aims to drive growth. The Universal Credit Standard Allowance will increase from £92 per week in 2025-26 to £106 per week by 2029-30 while the Universal Credit health element will be frozen for existing claimants until 2029-30.

Transformation Fund

The Chancellor announced £3.25bn of investment for a new "transformation fund" to bring down the cost of running government by making public services more efficient. This aims to support the fundamental reform of public services, **seize the opportunities of digital technology and artificial intelligence**, and transform frontline delivery to release savings for taxpayers over the long term. This includes £150 million for government employee exit schemes helping to reduce administration costs as well as £42 million for three pioneering DSIT-led Frontier AI Exemplars.

Defence

A £2.2bn uplift to the Ministry of Defence (MoD) budget in 2025-26 was announced. Additionally, the government will spend a minimum of 10% of the MoD's equipment budget on tech such as drones and AI, boosting production in places such as **Derby.** There will be a protected budget of £400m within the MoD for UK defence innovation, rising over time. The increase in defence spending will be funded by reducing official development assistance from 0.5% to 0.3% of Gross National Income by 2027. Furthermore, a £2bn increase to the UK Export Finance's Direct Lending capacity for defence exports was announced.

Housing

The government will invest an additional £2 billion in social and affordable housing in 2026-27. An expected 1.3m homes are to be delivered over the next five years. The government has also **committed to funding a £625 million package for skills in construction**, expected to provide up to 60,000 more skilled workers this Parliament. As part of this, the government is providing an additional £100 million to support 35,000 construction-focused skills bootcamp places.

Roads

£4.8 billion to the Strategic Road Network in 2025-26 was announced. The funding includes £1.3 billion for road renewals.

Global and National Outlook

Global

Outlook

The OECD Economic Outlook Interim Report findings include:

- Global output growth remained resilient in 2024, with robust expansions in the United States and several large emerging-market economies, including China.
- **Recent activity indicators have begun to point to a softening of global growth prospects**. Business and consumer sentiment have weakened in some countries, and indicators of economic policy uncertainty have risen markedly around the world.
- Significant changes have occurred in trade policies that if sustained would hit global growth and raise inflation.
- Inflationary pressures continue to linger in many economies. Services inflation is still elevated, with labour markets tight, and goods inflation is picking up from very low levels.
- Global GDP growth is projected to moderate from 3.2% in 2024, to 3.1% in 2025 and 3.0% in 2026, with **higher trade barriers in several G20 economies and increased geopolitical and policy uncertainty weighing on investment and household spending.**
- Annual GDP growth in the United States is projected to slow from its strong recent pace, to be 2.2% in 2025 and 1.6% in 2026. Euro area GDP growth is projected to be 1.0% in 2025 and 1.2% in 2026, as heightened uncertainty keeps growth subdued. Growth in China is projected to slow from 4.8% this year to 4.4% in 2026.
- **Inflation is projected to be higher than previously expected**, although still moderating as economic growth softens. Headline inflation is projected to fall from 3.8% in 2025 to 3.2% in 2026 in the G20 economies. Core inflation is now projected to remain above central bank targets in many countries in 2026, including the United States.
- These projections are based on an assumption that bilateral tariffs between Canada and the United States and between Mexico and the United States are raised by an additional 25 percentage points on almost all merchandise imports from April. **Activity would be stronger and inflation lower in all three economies if these tariff increases were lower or confined to a smaller range of goods**, but global growth would still be weaker than previously expected.
- **Significant risks remain. Further fragmentation of the global economy is a key concern. Higher and broader increases in trade barriers would hit growth around the world and add to inflation.**
- **Higher-than-expected inflation would prompt more restrictive monetary policy and could give rise to disruptive repricing in financial markets**. On the upside, a more stable policy environment would reduce uncertainty, and agreements that lower tariffs from current levels and more ambitious structural policy reforms could strengthen growth. Higher government spending on defence could also support growth in the near-term, but potentially add to longer-term fiscal pressures.
- Central banks should remain vigilant given heightened uncertainty and the potential for higher trade costs to push up wage and price pressures. Provided inflation expectations remain well anchored, and trade tensions do not intensify further, policy rate reductions should continue in economies in which underlying inflation is projected to moderate or remain subdued.
- **Fiscal discipline is needed to ensure debt sustainability, maintain the ability for governments to react to future shocks and accommodate current and future spending pressures.**
- Countries need to find ways of addressing their concerns together within the global trading system. **Living standards would benefit from coupling these measures with efforts to strengthen the resilience of supply chains, as well as regulatory reforms that promote dynamic product and labour markets and policies to encourage skill upgrades**.
- Faster diffusion of artificial intelligence technologies could also have significant productivity benefits. Governments can help by ensuring the availability of high-speed digital infrastructure, maintaining open and competitive markets and providing opportunities for workers to enhance their skills.

National

Bank of England

The Bank of England held interest rates at 4.5% at its meeting in March, after warning that global economic uncertainty has "intensified". It means rates are at their lowest level for more than 18 months following a reduction from 4.75% in February - the third cut since August 2024.

The odds of the Bank of England cutting interest rates in May have been strengthened after inflation cooled by more than forecast last month.

City economists had predicted a modest decline to 2.9%, after a sharp rise from 2.5% in December amid mounting pressure on households from higher energy bills and the rising cost of groceries. The figures indicate prices are continuing to climb on an annual basis, albeit at a slower rate.

Policy Considerations

THEME	KEY INSIGHTS
Outlook	• Recent data from the Office for National Statistics (ONS) reveals **monthly real gross domestic product (GDP) is estimated to have fallen by 0.1% in January 2025** mainly caused by a fall in the production sector, after growth of 0.4% in December 2024. **Real GDP is estimated to have grown by 0.2% in the three months to January 2025**, compared with the three months to October 2024, mainly due to growth in the services sector. • NIESR **project GDP to expand by 0.3% in the first quarter of 2025**, with growth primarily driven by the Services sectors. However, underlying weaknesses persist, with services providing modest support while manufacturing remains under pressure due to weak domestic and external demand. • **The UK regional economic gap is set to widen over the next three years**. Steady economic growth is expected for all parts of the UK between 2025 and 2028, but the **Midlands**, North of England, Scotland and Wales are forecast to see slower-than-average GVA growth. The EY UK Regional Economic Forecast expects UK GVA to grow 1.6% between 2025 and 2028. • British Chambers of Commerce forecasts **predict GDP will grow 0.9% in 2025**, driven by government spending. The national insurance hike is expected to hit investment, recruitment and prices. • The BCC forecast picture on growth varies significantly across sectors. **Manufacturing production is expected to contract -0.2%** (down from 0.6% in the last forecast) rising to 0.8% in 2026 and 1.1% in 2027. In comparison, the **construction industry will grow by 1.3% this year** and reach 1.5% in 2026. The services sector is forecast to increase at 1.1% in 2025 and 1.5% in 2026. • With businesses facing increased cost pressures following last Autumn's Budget, **inflation is now expected to remain above the Bank of England's target until the last quarter of 2027.** CPI is forecast to be 2.8% in Q4 2025 (up from 2.2% in the last forecast), before falling to 2.1% by the end of 2026 and 2% in Q4 2027.
Trading Conditions	• KPMG Private Enterprise Barometer 2025 reveals **92% of privately owned business owners and leaders are confident about their company's growth prospects, with 59% describing themselves as very confident.** Such high levels of optimism suggest that private enterprises have weathered the challenging trading conditions of recent times and believe they have the resilience to leverage opportunities ahead. • The UK Composite PMI Output Index **posted only just above the key 50.0** mark in February (50.5), indicative of another month of sub-par expansion for the UK private-sector economy. The increase in activity was **mostly driven by services companies as manufacturing production shrank for a fourth successive month.** • The latest Small Business Index data have revealed **a large deterioration in confidence, from -24.4% in 2024 Q3 to -64.5 in Q4. Businesses are now at their most pessimistic since the onset of the Covid-19 pandemic, with Q4's reading being the second weakest on record.** Such negativity is wide-ranging across business demographics. All sectors recorded a negative, and worsening, SBI score in Q4. • PwC analysis shows that February saw **2,035 company insolvencies**, which although an increase of 3% month on month, is still below the February 2024 figure of 2,188 – a positive sign that might temper some of the uncertainty felt by businesses as they look further into 2025. • **Insolvency-related activity surged in the Midlands last month**, according to the latest figures from R3, with the region also recording a steep fall in the number of new businesses. Insolvency-related activity increased by 78.85% in the East Midlands and 41.09% in the West, compared to January's levels. At the same time, the number of new businesses set up in the region fell by almost a fifth compared to February 2024, dropping from 6,889 to 5,597 in the West and from 2,735 to 2,234 in the East. • New data from Beauhurst reveals that since 2015, **while the number of high growth companies has increased in all areas of the UK, the proportion of high growth companies has become more concentrated in London**, growing from 26.2% of the total to 31.9%.. • **The Midlands has recorded a surge in aspiring entrepreneurs taking out finance to bring business plans to life in the five years since the first Covid-19 lockdown**. In the West Midlands, there has been an 18% jump in the number of first loans, amounting to a 47% rise in total value. The average first loan value to entrepreneurs climbed by £2,809, or 26%. **In the East Midlands, there has been a 31% increase in the number of first loans**. This amounts to a 70% increase in the total value of first loans between the two periods. The average loan value to entrepreneurs also increased by £3,139, or 29% in the East Midlands.
Labour Market	• **The Midlands recorded a considerably softer decline in permanent placements during February**, according to the latest KPMG and REC UK Report on Jobs survey, which could signal that "the worst is behind us". The report shows that the reduction in new permanent joiners was the softest in eight months and only modest overall. However, temp billings fell for the first time in just under a year, albeit only marginally. **Demand for staff remained weak during February, with both permanent and temporary vacancies declining sharply.** • NIESR **forecast total pay growth to slow but remain elevated at 5.4% in Q1 2025.** • The Joseph Rowntree Foundation predicts **that incomes (after housing costs) will be lower in Q4 2029 than in Q4 2024.** • This comes as new analysis from the Living Wage Foundation reveals that **both the proportion and number of jobs paid below the real Living Wage increased between 2023 and 2024.**

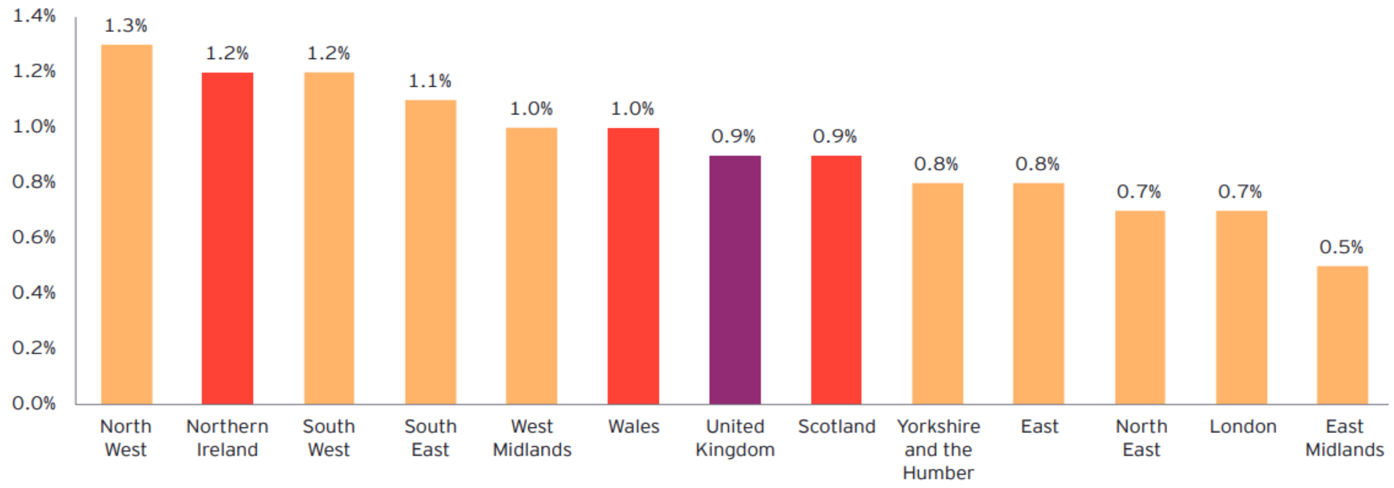
EY Regional Outlook

According to the tenth edition of the EY UK Regional Economic Forecast, **the UK regional economic gap is set to widen over the next three years.**

Economic Performance in 2024

The UK economy experienced a solid start to the year in 2024, with the economy seeing a modest rebound following a 'mini recession' at the end of 2023. However, **the second half of the year saw a return to stagnation**, with the latest data from the ONS suggesting that the UK economy only just remained in positive territory in the final quarter of the year. Looking across the UK, the fastest growing region in GVA terms in 2024 was the North West (+1.3%), **the West Midlands was fifth fastest (+1.0%)** which was just above the UK average (+0.9%). Whereas **the East Midlands was the slowest region (+0.5%),** which was just behind London (+0.7%).

GVA growth in the UK, 2024:



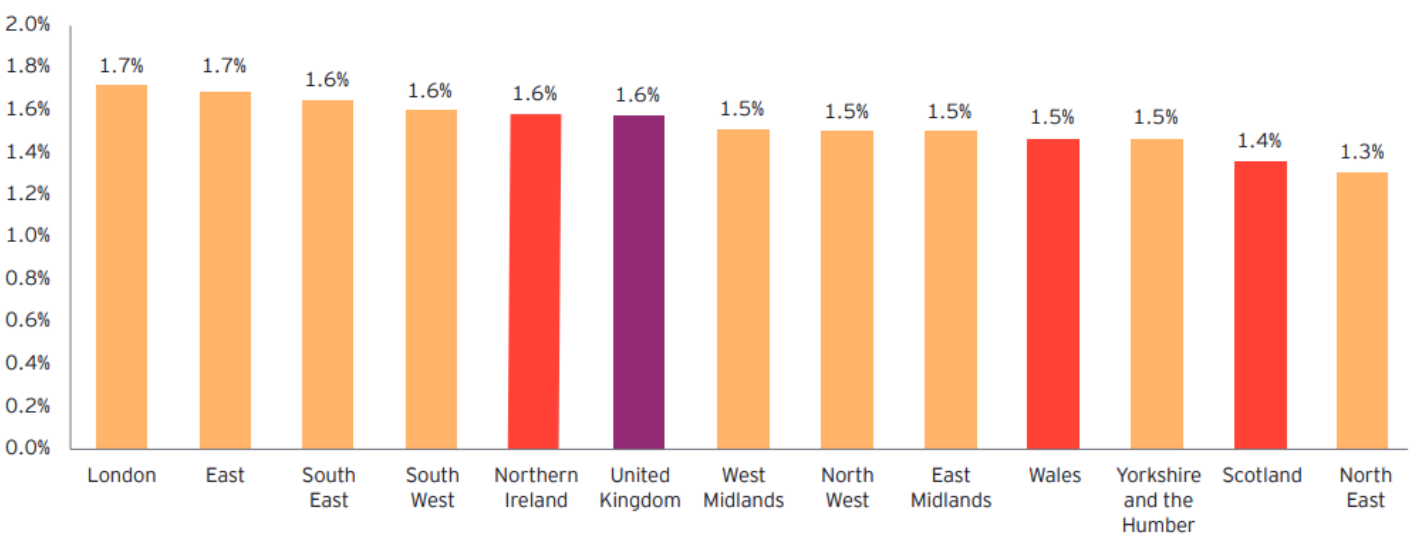
Source: EY ITEM Club

The Outlook for 2025 and Beyond

The UK overall is expected to see annual average GVA growth of 1.6% between 2025 and 2028 as the combined impact of rising real wages, falling inflation and interest rate reductions help economic momentum start to build towards the end of this year.

Steady economic growth is expected for all parts of the UK between 2025 and 2028, but the **Midlands, North of England, Scotland and Wales are forecast to see slower-than-average GVA growth**. London and the East of England are expected to see 1.7% GVA growth over the next three years, with the South East, the South West and Northern Ireland set to match the national average (1.6%).

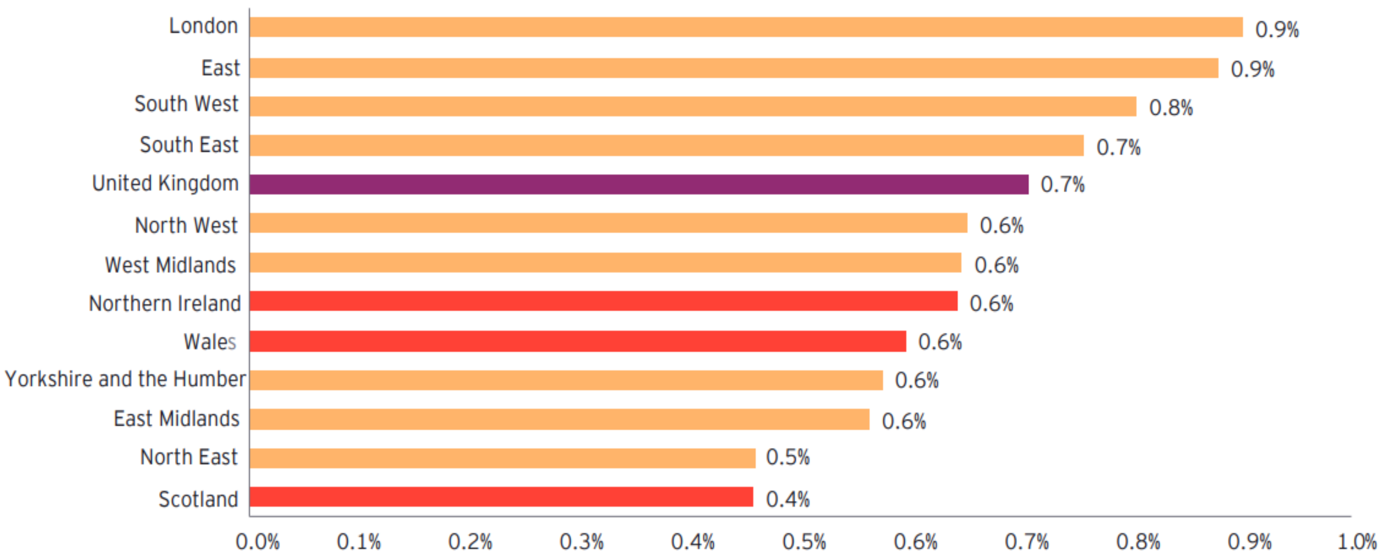
Annual average GVA growth 2025-2028:



Source: EY ITEM Club

London is expected to lead the UK in employment growth from 2025 to 2028, although the average rate of increase is projected to remain comparatively low by historical standards, at 0.9%. Other parts of the South of England are expected to record employment growth towards the higher end of the range for the UK as a whole, consistent with the relatively high GVA growth anticipated in those regions. Conversely, **lower growth in employment is projected for Scotland (0.4%), the North East (0.5%) and East Midlands (0.6%), consistent with the weaker GVA growth from leading sectors in those regions.** Elsewhere in the UK**, Northern Ireland and the West Midlands, despite fairly positive GVA growth overall, are also expected to experience employment growth below the UK average from 2025 to 2028.** In these locations, the biggest proportionate declines in employment are anticipated in sectors focused heavily on extraction of commodities, as well as agriculture, forestry and fishing. These are relatively low productivity sectors in terms of GVA per worker, and the expected reductions in employment are generally in line with the trends seen in those sectors at both the national and regional level.

Employment growth in the UK, 2025-2028:



Source: EY ITEM Club

Midlands Insight

The **Midlands is projected to see an GVA growth rate of 1.5% between 2025 and 2028**, slightly below the UK average of 1.6%. In the West Midlands, GVA is expected to grow by 1.5% next year, alongside a 0.6% increase in employment opportunities. In the East Midlands, GVA growth is expected to match the West Midlands next year, though employment growth will be slightly lower at 0.5%. Nottingham (1.6%) and Leicester (1.3%) are set to play major roles in the region's economic landscape.

Lichfield is on track to be the fastest-growing smaller location in the UK, **with 2% GVA growth**, while **Birmingham is forecast to be the joint-fifth fastest-growing major city, with 1.6% annual GVA growth**. Redditch and Rugby are also among the region's top-performing areas, benefiting from high-value sectors and seeing 1.6% growth.

Construction will remain a key driver across the Midlands, with an average annual GVA growth of 2% over the next three years, supported by the Government's focus on housing delivery and transport investment.

Manufacturing, a longstanding contributor to the Midlands economy, accounted for 13% of GVA in the West Midlands and 15% in the East Midlands in 2024. However, the sector faces challenges from rising energy and labour costs, with **manufacturing employment projected to decline by 2% annually in the East Midlands and 1.5% in the West Midlands**. Despite this, both regions are **expected to see modest GVA growth in manufacturing** – 1% in the East Midlands and 1.3% in the West Midlands – as they transition towards advanced manufacturing.

Tech and professional services are among the fastest-growing sectors. In the West Midlands, information and communication (2.5%) and professional, scientific, and technical activities (2%) will contribute an additional £1.5bn to the economy by 2028. The East Midlands will also see strong growth in these sectors, at 2.7% and 2% respectively, though their total economic contribution will be 24% lower than in the West Midlands.

Regional Business Activity

Business Activity Index

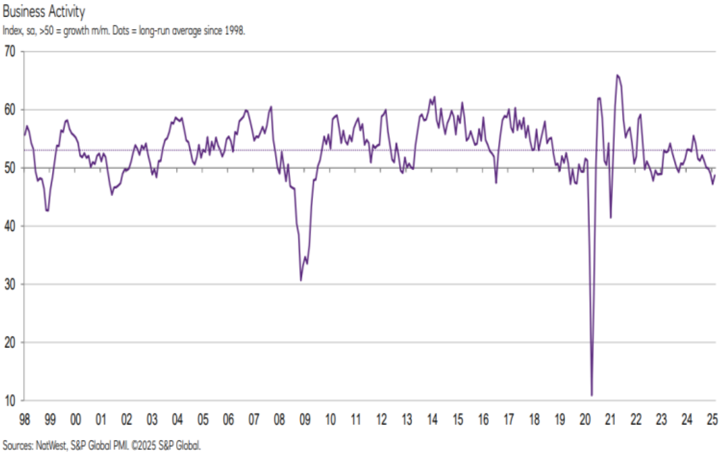
The **West Midlands Business Activity Index increased from 47.2 in January 2025 to 48.7 in February 2025.** Some companies linked a decline in activity to price pressures and the loss of existing clients, but other firms pointed to an expected recovery in new contract wins.

The **East Midlands Business Activity Index decreased from 49.8 in January 2025 to 44.7 in February 2025**, a second consecutive month of contraction the steepest rate since January 2021 in the region and the fastest rate of contraction across the UK in February 2025. This was linked to lower new orders and a lack of market confidence.

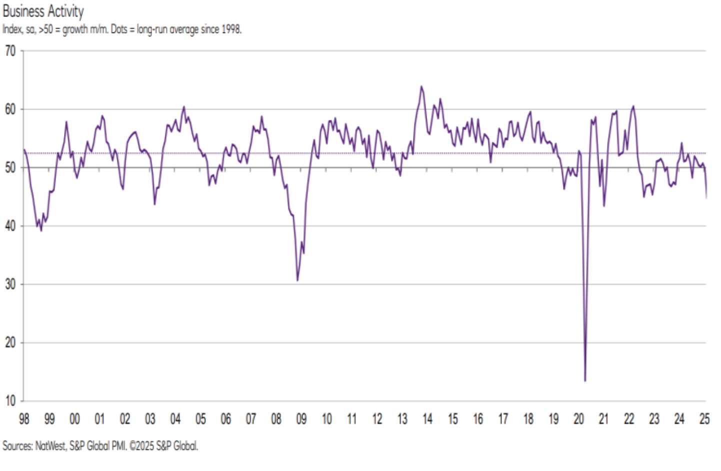
The UK Business Activity Index decreased from 50.6 in January 2025 to 50.5 in February 2025.

Business Activity Index Trends:

West Midlands



East Midlands



In a typical business cycle, regions will move through four phases – expansion, slowdown, contraction and recovery. **The February 2025 reading shows the West Midlands and East Midlands remained in contraction** meaning that the regions are contracting and at a faster rate than the trend over the past six months.

Demand

The West Midlands New Business Index **decreased** from 46.3 January 2025 to **46.0 i**n February 2025. The East Midlands New Business Index **decreased** from 47.5 in January 2025 to **44.8** in February 2025, a fourth and fifth successive monthly decline respectively.

Business Capacity

The West Midlands Employment Index **decreased** from 42.4 in January 2025 to **40.9** in February 2025, the fastest rate of job shedding in nearly four-and-a-half years. The East Midlands Employment Index **decreased** from 45.2 in January 2025 to **42.1** in February 2025, the fastest rate of job shedding since May 2020.

The West Midlands Outstanding Business Index **decreased** from 41.6 in January 2025 to **41.5** in February 2025, the sharpest fall in close to five years. The East Midlands Outstanding Business Index **decreased** from 45.1 in January 2025 to **39.1** in February 2025, a twenty ninth consecutive month of work declines in work backlogs and the fastest rate of depletion since May 2020.

Prices

The West Midlands Input Prices Index **increased** from 63.9 in January 2025 to **64.8** in February 2025, the fastest rate since March 2023. The East Midlands Input Prices Index **decreased** from 64.9 in January 2025 to **64.4** in February 2025.

The West Midlands Prices Charged Index **decreased** from 57.7 in January 2025 to **57.5** in February 2025. The East Midlands Prices Charged Index **increased** from 57.1 in January 2025 to **57.8** in February 2025, a third consecutive monthly increase to the fastest rate since June 2023.

Outlook

The West Midlands Future Business Activity Index increased from 69.8 in January 2025 to **74.3** in February 2025, the **highest level of confidence since August 2024 and the highest level of all UK regions** in February 2025. Optimism was linked to advertising, investment, tourism and the planned launch of new products.

The East Midlands Future Activity Index decreased from 68.4 in January 2025 to **68.2** in February 2025, the second highest rate across the UK behind the West Midlands. Firms cited hopes of an improvement in market demand and new product development as reasons for an expected rise in output over the next 12 months.

Source: NatWest: UK regional growth tracker report for February 2025, released March 2025. Please note, readings above the 50-mark indicates growth.

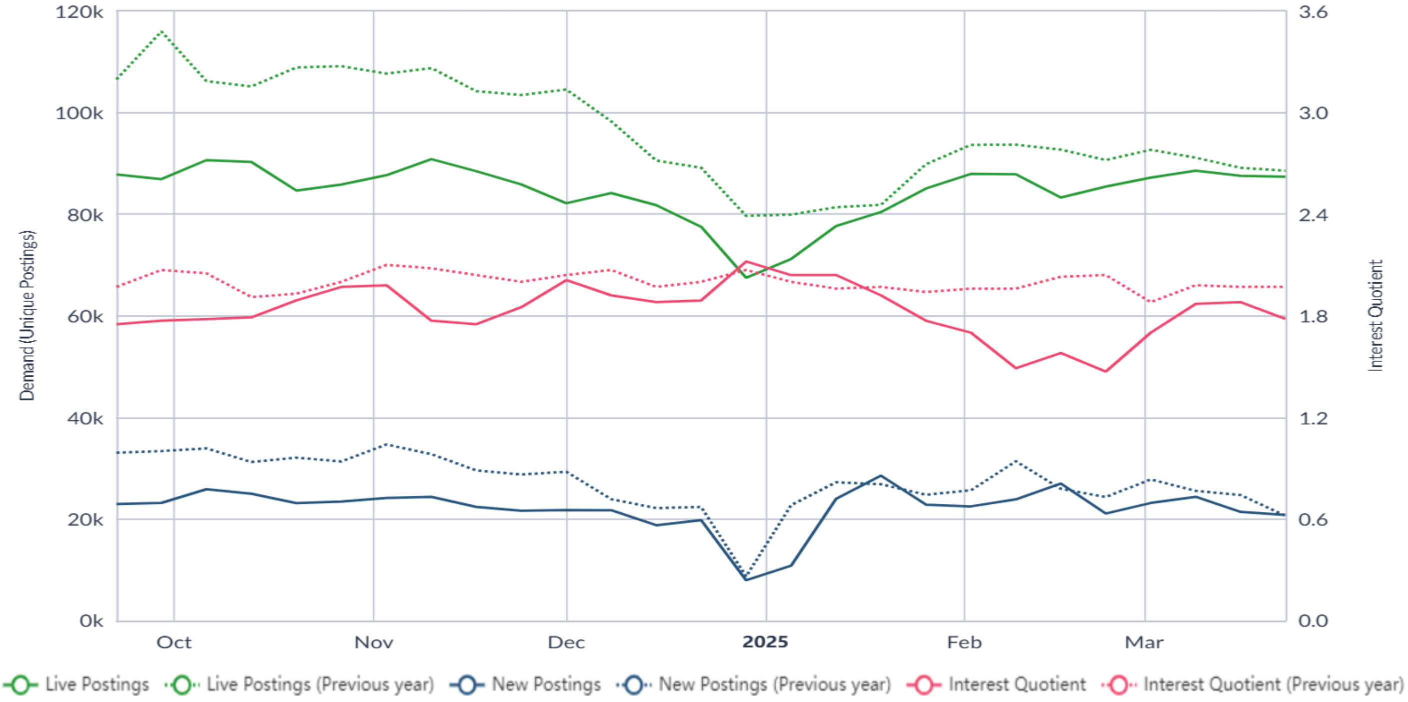
Labour Market and Job Postings

The latest national labour market statistics shows that the number of **employees on payroll was broadly flat** in the latest period, with **little growth seen over much of the last year**. Overall pay growth remains relatively strong, with **pay growth high in both the public and private sectors**. The **number of vacancies is little changed on the previous quarter.**

The latest total unique job postings data shows that the **number of postings across the Midlands dropped 18.4% over the last six months to 671,466,** however, the number of postings is high compared to the average for all regions. The number of new job postings fell by 18.0% to 576,017, 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 (1.8 Interest Quotient).**

Overall demand and interest for the Midlands:

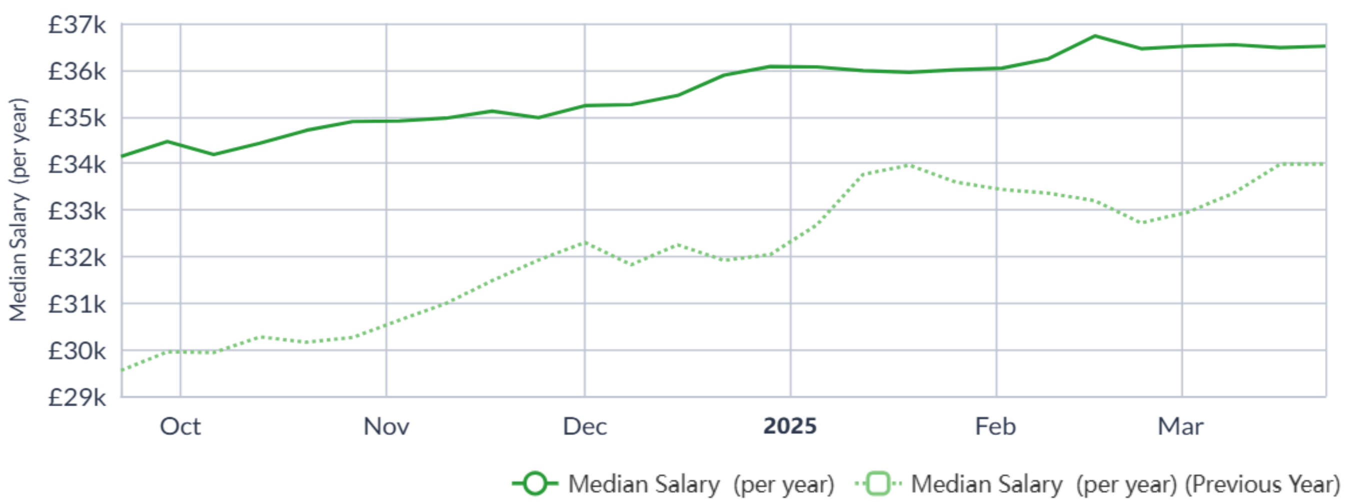
Source: Adzuna Intelligence



The **advertised median salary across the Midlands has increased by 10.7%** year-on-year to £34,393 per year.

Salary trends for the Midlands:

Source: Adzuna Intelligence



Sectors Hiring in the Midlands

Job posting demand was greatest for roles in engineering (89,277), teaching (89,097) and healthcare & nursing (48,901).

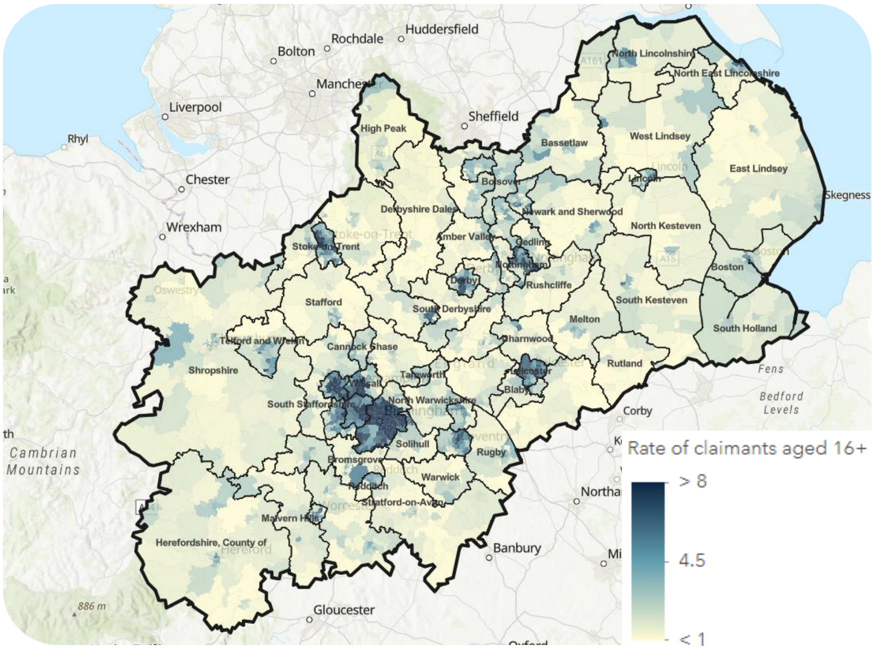
Source: Adzuna Limited Job Posting Intelligence, Accessed March 2025. The Interest Quotient uses jobseeker data to quantify the level of interest in particular roles.

Labour Market Impacts: Claimants

There were 318,115 claimants aged 16 years and over in the Midlands Engine area in February 2025, an increase of 14,800 claimants (+4.9%, UK +5.1%) since the previous month. There are 38,985 more claimants (+14.0%, UK +11.8%) when compared to February 2024.

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 February 2025.

Claimants as a percentage of residents aged 16 years and over:



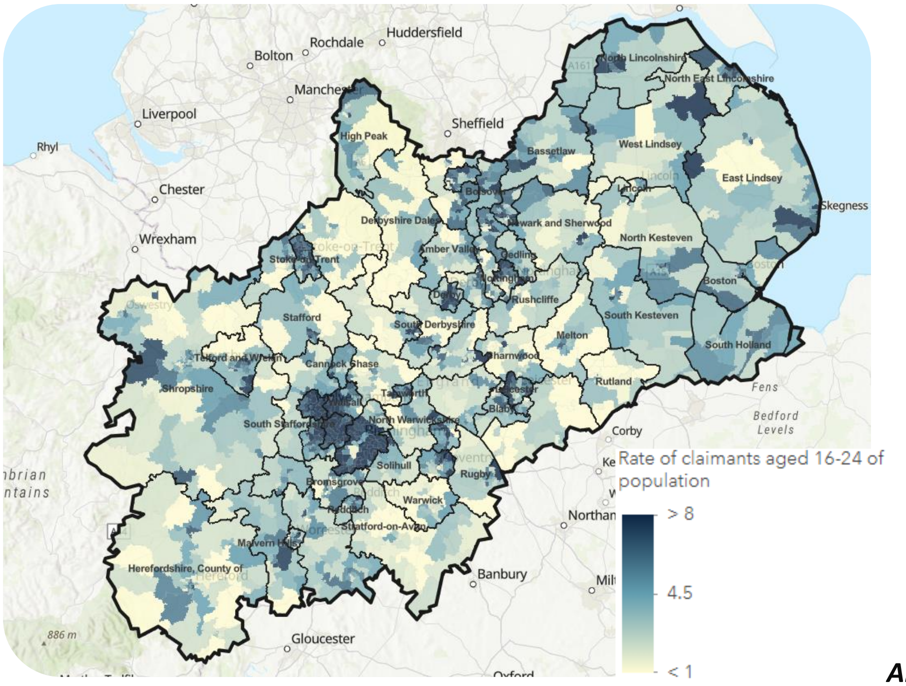
Out of the 1,511 wards within the Midlands Engine, 407 were at or above the UK average of 3.3% for the number of claimants as a percentage of the population aged 16 years and over in February 2025.

The wards with the highest number of claimants as a percentage of the population were based in Birmingham, with Lozells at 21.4%, Handsworth at 19.6% and Birchfield at 19.3%. In contrast, the lowest proportions were Keele (Newcastle-Under-Lyme) at 0.2%, Maer & Whitmore (Newcastle-Under-Lyme) at 0.4% and Ashby Castle (North West Leicestershire) at 0.5%.

There were 59,785 claimants aged 16-24 years old in the Midlands Engine area in February 2025, a monthly increase of 2,425 youth claimants (+4.2%, UK +4.6%). Since February 2024, the number of youth claimants has increased by 5,495 (+10.1%, UK +8.9%).

The number of claimants as a percentage of residents aged between 16-24 years old was 5.3% in the Midlands Engine and 4.4% for the UK in February 2025.

Claimants as a percentage of residents aged 16-24 years:



Out of the 1,511 wards within the Midlands Engine, 676 were at or above the UK average of 4.4% for the number of claimants as a percentage of the population aged 16–24 years and over in February 2025.

The ward with the highest number of youth claimants as a percentage of the population was Handsworth (Birmingham) at 18.2%, followed by Birchfield (Birmingham) at 16.7%. In contrast, **within the Midlands Engine there were 70 wards with no youth claimant.**

An interactive version can be found here.

Source: ONS/ Department for Work and Pensions, released March 2025

2. Business Environment

Local Business and Policy Intelligence By Sector

SECTOR	KEY INSIGHTS
Tech / Digital	• A **new AI training programme** is empowering small business owners in the **West Midlands** to bridge the AI skills gap, as research reveals that while entrepreneurs are eager to embrace AI, many lack the necessary training to do so effectively. A study by **Small Business Britain**, in partnership with **BT Group**, found that **68% of small business owners** believe AI could significantly boost their growth. However, many struggle with understanding and integrating AI into their operations. To tackle this challenge, **Small Business Britain** and **BT Group** have launched the **AI for Small Business programme**—a **free, six-week online course** designed to upskill small business owners with essential AI and digital skills.
Construction	• Construction output **is estimated to have fallen by 0.2% in volume terms in January 2025**; this follows a decrease of 0.2% in December 2024. This decrease in monthly output came solely from a fall in new work (0.7%) as repair and maintenance grew by 0.4%. • PwC analysis highlights the **construction sector continues to face severe challenges, with over 400 construction-related businesses failing during February 2025**. High input costs (both in raw materials and labour), and the inability to fully pass these cost increases onto consumers means tight margins are being further squeezed, leaving some businesses in a difficult position.
Retail, Hospitality and Tourism	• In a matter of weeks, **retailers grapple with the reality of billions in extra costs from the increases to employer National Insurance and the National Living Wage.** This **£5bn in new costs will give many no option but to push prices up. Food inflation is likely to hit 5% by the end of the year**, and with further costs from the new packaging tax and implementation of the Employment Rights Bill, prices risk being pushed up further. • A quarter of a million retail jobs have been lost in the last five years, according to the latest report by the ONS. **The number of retail jobs in 2024 was the lowest since the data began in 1996**, despite total jobs in the economy continuing to rise. A recent survey of retail Finance Directors showed that half were planning hiring freezes or cutting jobs, both in head offices and stores across the UK.
Manufacturing	• UK manufacturing **output PMI fell to 47.3, from 49.2 in January**, signalling a fourth successive monthly contraction in production. Trends in domestic and foreign markets contributed to a deepening of the downturn. • **Manufacturing output volumes fell in the three months to March**, at a slightly steeper pace than in the three months to February, according to the Confederation of British Industry's (CBI) latest monthly Industrial Trends Survey (ITS). Looking ahead, manufacturers expect output volumes to be broadly unchanged in the quarter to June. • New US tariffs threaten $3.4 billion of UK exports to the US, **as UK steel will now face a 25% import tax** after President Trump ordered a new tax on all steel and aluminium entering the US. The US's two biggest steel companies, Tata Steel and British Steel, have already lost US customers. • **Britain's manufacturers have hit the brakes on recruitment and investment plans** amid rising employment taxes and business costs, according to Make UK and BDO's Q1 2025 Manufacturing Outlook report. **Improved business confidence was reported in the West Midlands.**
Environmental Technologies	• New research has revealed that the **UK Government would have gained an additional £2.9bn in revenue over the next two fiscal years if it had kept its Emissions Trading Scheme (ETS) prices in line with the EU.**
Transport Technologies	• New analysis by Midlands Connect shows that **440,000 people along the route of the proposed next stage of electrification of the Midland Mainline are at major risk of social exclusion.** • The Government has announced a **major expansion of electric vehicle (EV) charging infrastructure in the Midlands,** with more than 16,000 new charge points planned. The Department for Transport has confirmed that 13 local authorities, supported by Midlands Connect, have secured £40.8m from the Local EV Infrastructure (LEVI) Fund to support the rollout. • Innovate UK has announced that **54 new charging hubs for zero-emission heavy goods vehicles (HGVs) will be built under its Zero Emission HGV and Infrastructure Programme.** The hubs will be located at depots, motorway services and key transport routes across the UK, providing charging and hydrogen refuelling for freight operators. • This comes as new research reveals 43% of public charge points are in London and the South East, leaving many regions, particularly rural areas, poorly served.

Midlands Spinouts & Innovation Investment

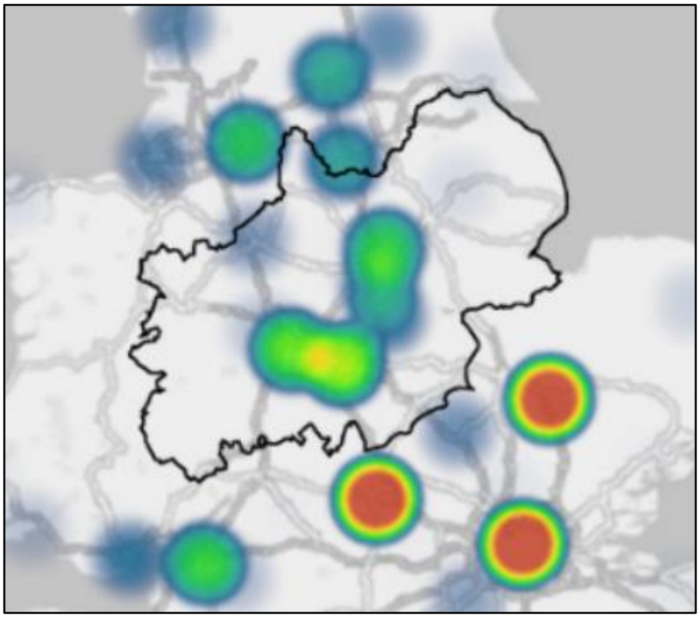
As part of the 'Invest in UK University - Midlands Campaign', the Midlands Engine was commissioned to produce evidence to understand and map the spinout and alumni-founded business networks of universities in the Midlands (scale, significance and investors).

The report itself has been compiled using analysis of Dealroom's proprietary data portal which tracks 3.2m start-ups (primarily tech companies and those that fundraise) around the world. The Data City platform, which partners with Dealroom, has also been used to enable further analysis.

Start-ups & University Spinouts
Since 2010, **5,500 tech** companies and start-ups have been founded in the Midlands, with a collective valuation in excess of **$15.9bn** and employing an estimated **109,000** people. Of these**, 5,429** are still operational worth **$15.7bn** and employing an estimated **94,000** people - whilst **209** have been acquired (employing 13,700 people and worth £3.9bn). Of these, **121 (2%)** were spinouts, of which **111 remain operational** (2 have been acquired and 8 closed). They are **valued at $558m, employing approximately 700 people.**

However, **only 95 of these spinouts founded in the region are from Midlands universities**, collectively valued at **$455m** and employing **624 people**. Of Midlands start-ups, **35** companies have gone on to raise more than **£15m** in funding rounds - **791** have self-funded their growth entirely.

Spinout generating universities, Midlands highlighted (ITL1) Geography

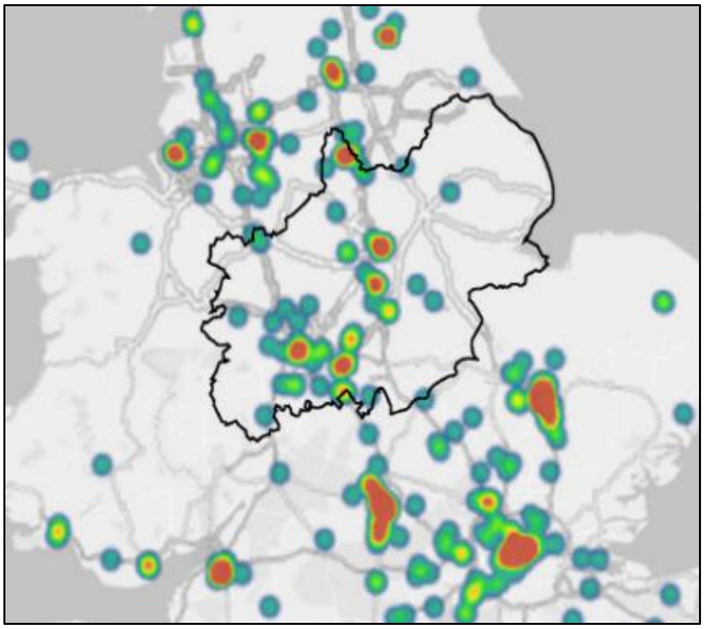


Nationwide, **85 universities have produced spinouts, whilst in the Midlands, 15 universities have produced spinouts**.

1,151 of these spinouts from UK universities have been founded since 2010 (**12.4% of the worldwide total**). **1,078 remain active**, representing **12.2% of global spinouts**. Midlands universities have generated **169** of these - **14.5% of all UK spinouts and 1.8% of global spinouts - with 160 active (14.8% of active in the UK, 1.8% of global total).**

There is thus a significant cluster of spinout-generating institutions in the Midlands, demonstrating the region's vibrant commercialisation ecosystem.

Spinout count by university, Midlands highlighted (ITL1) Geography:



Furthermore, when looking at where spinouts are registered by address, there is a clear concentration or 'clustering' of spinouts in the region, similar to the likes of the Golden Triangle, Manchester-Leeds-Sheffield belt, and the central belt of Scotland.

Regionally, when looking at the top 15 spinout-generating universities, the University of Oxford comes out on top with 260, followed by the University of Cambridge with 255, and Imperial College London with 118. At the same time, **Midlands universities have produced at least 321 spinouts** over time with the universities of **Warwick**, **Birmingham** and **Nottingham** coming out on top with 87, 62 and 56 spinouts respectively.

Economic Impact
Midlands spinouts are highly productive, intellectual property-rich businesses, with those founded since 2010 generating an **estimated annual Gross Value Add (GVA) in excess of £768m**. Moreover, their employees are **more than twice as productive as average UK workers**, with an **estimated GVA of £129,271 per employee** compared to **£59,829 average** across the Midlands.

Midlands Spinouts & Innovation Investment

However, the GVA of Midlands spinouts headquartered in the region is estimated to be significantly lower, generating only **19.7% of the total GVA (£151m), and £88,3453 per employee**. This is still well above average per-employee GVA, but **far below the estimated £145,894 GVA per employee** of Midlands spinouts based outside of the region. Whilst the majority of Midlands spinouts' productive output appears to be outside the Midlands, those businesses based in the region have attracted the **lion's share of the £93m in Innovate UK funding secured, accounting for 65 grants worth £71m**.

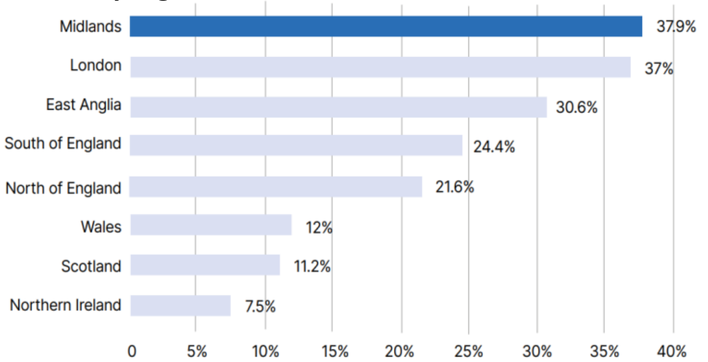
Most Midlands university spinouts founded since 2010 are **micro-businesses**, employing fewer than ten people, with the remainder all being small and medium-sized (fewer than 250 staff), except for University of Nottingham 2019 spinout Nurture Fertility (now 'TFP Fertility'), based in Oxford and employing approximately **2,600 staff**, and an **estimated GVA of £473m** as one of the UK's largest providers of IVF treatment. These businesses are fast-growing with an estimated employee growth rate of **24.8% annually**. However, much of this growth is outside of the Midlands itself - of those businesses headquartered within the region, the employee growth rate is **12.3%**, compared to **35.6%** for those based elsewhere in the UK.

Attrition or growth elsewhere?

The retention of successful spinouts has been identified as an issue in the Midlands. Supporting data shows that of all active spinouts from Midlands universities, only **62% (321)** are headquartered in the Midlands. However, none of the **38% (114) of spinouts headquartered outside of the region** were initially incorporated in the Midlands, suggesting the challenge isn't so much of attrition of existing stock but in encouraging Midlands spinouts to establish themselves in the region to begin with.

These out-of-region spinouts (excluding 7 acquired by other businesses) collectively represent an estimated **72% ($1.6bn)** of the valuation of all Midlands university spinouts and employ **48% of Midlands spinout staff (1,600 people)** – a big loss for the regional economy.

Proportion of spinouts established outside of home university region:



Of all UK regions, Midlands university spinouts are most likely to establish themselves outside of their home region. Only London and East Anglia (driven by Cambridge) experienced similar levels of lost growth, but for London and Cambridge, higher real estate and rental costs likely play a bigger role in the decision to move. Many factors could affect this, such as spinouts being a result of collaboration between multi-institution groups, or even directives from investors. However, Midlands spinouts appear to have no specific trends leading to this lost growth.

University	Spinouts	HQ'd in Midlands	HQ'd rest of UK	HQ'd overseas
University of Warwick	87	57	28	2
University of Birmingham	62	40	19	3
University of Nottingham	56	32	21	3
Loughborough University	26	15	10	1
Aston University	19	13	5	1
Coventry University	15	9	5	1
Cranfield University	13	11	2	0
University of Leicester	12	5	6	1
De Montfort University	9	6	3	0
Nottingham Trent University	8	4	2	2
Staffordshire University	7	4	3	0
University of Wolverhampton	6	6	0	0
Keele University	5	3	1	1
University of Lincoln	5	3	2	0
Derby University	1	1	0	0
Birmingham City University	0	0	0	0
Harper Adams University	0	0	0	0
University of Worcester	0	0	0	0

Spin-Ins

Moreover, **22 spinouts from non-Midlands universities have established their headquarters in the region**. They have an estimated collective valuation of **$113m** and **employ ~187 people**. Some of these, such as Covatic Limited, Fertility Focus, and Impression Technologies have received growth equity from the Midlands Engine Investment Fund and other Midlands-based funds, demonstrating the value of place-based funds in growth.

Sectors

Looking at the industries in Midlands spinouts, the most common of these was within **Life Sciences**, with pharmaceutical spinouts predominately based elsewhere (most commonly Cambridge Oxford and London), but in the Midlands the largest employee concentration appeared to be in Charnwood, Leicestershire. Also notable is the **zero-carbon sector** with all of them being based in Midlands, reaffirming perceptions of the region as a leading energy hub.

Midlands Spinouts & Innovation Investment

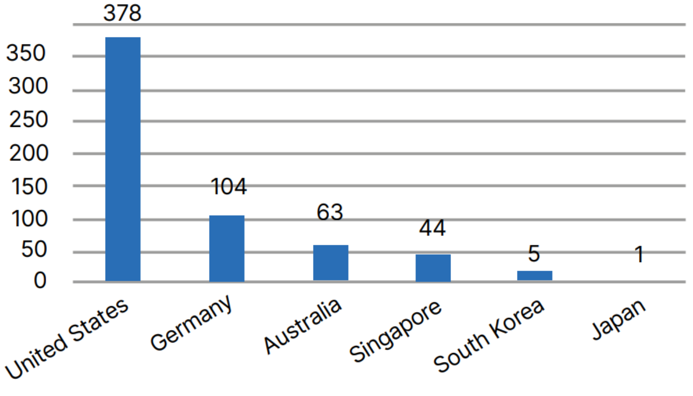
Alumni founders
Collectively, alumni of **Midlands universities have (co-) founded 3,593 start-ups globally since 2010**, collectively **worth $113.5bn** and **employing an estimated 114,000 people.**

These include **23 unicorns with major brands** such as Monzo, Shopify, DFINITY, Darktrace, Starling Bank, Clubhouse, and Calm Health.

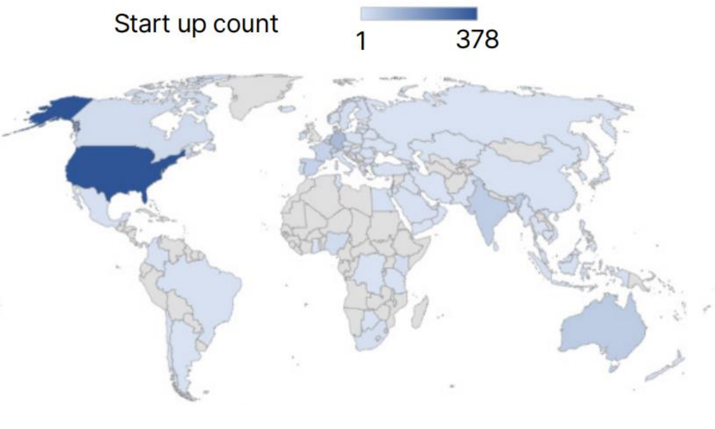
Whilst just **over half (1,846 – 51.3%)** of these businesses are headquartered in the UK (valued at more than **$46.9bn and employing ~53,700 people**), only **214 (5.9%)** of these companies were founded in the Midlands, and **213 are currently headquartered in the region**, **employing ~4,600 people with collective valuation in excess of $2.3bn.**

In the campaign target markets of Australia, Germany, Japan, Singapore, South Korea, and the USA, alumni have founded **659 tech** companies since 2010. Globally, there are significant alumni-founder counts in India (56), Spain (44), France (43), UAE (39) and the Netherlands (25).

Midlands University alumni-founded startups (excluding UK) since 2010:



Midlands University alumni-founded startups (excluding UK) since 2010:



The universities of Nottingham and Warwick are the only Midlands institutions in the top 20 UK institutions (#10 and #15 respectively) for the number of alumni-founded companies: **928** Nottingham alumni and **658** Warwick alumni have founded a start-up. The next highest-ranking Midlands universities by number of alumni founders are **Birmingham** (23rd with **547** founders), **Nottingham Trent** (41st with **363** founders) and **Leicester** (48th with **306** founders).

There **are 781 companies** in the campaign target markets founded or co-founded by Midlands alumni, of which **683** continue to operate independently. These include **12 unicorns founded alumni since 2010**:

- Clubhouse (San Francisco, USA),
- Headspace Health (Santa Monica, USA)
- Aura (Burlington, USA)
- Sennder (Berlin, Germany)
- Forto (Berlin, Germany)
- Calm Health (San Francisco, USA)
- Razor (Berlin, Germany)
- Lusha (Boston, USA)
- Scalable Capital (Munich, Germany)
- Planet Labs (San Francisco, USA)
- Rebellion Defense (Washington, USA)
- Enviria (Frankfurt, Germany)

A full list of spinouts by university and by region is available in the full report's appendix here.

Investors
Dealroom tracks all kinds of equity investors including limited partners and direct investors in venture funds, corporate venture and equity etc. There are several existing equity investors that have invested in recent years in Midlands based businesses and given this experience in the area could be targets for further engagement.

Market	Identified seed investors	Identified early-growth investors	Identified late-growth investors	Investors that have already invested in the Midlands
UK	578	672	524	939
USA	1,960	2,325	1,585	505
Germany	490	597	468	69
Australia	93	101	56	27
Singapore	69	92	48	6
Japan	114	149	136	6
South Korea	25	41	36	3

Note: the same organisation may be counted in each stage column if they invest at all stages of business growth.

State of Small Business Britain

The Enterprise Research Centre (ERC) has released the annual [State of Small Business Britain report](), an annual review of trends and issues affecting small businesses in the UK.

Business context

- Findings from the 25th anniversary Global Entrepreneurship Monitor (GEM) Survey show that **the UK is a significantly more entrepreneurial society than it was at the start of the millennium. 30% of working age individuals in the UK either intended to start a business within the next three years, were actively trying to start a business, or were already running their own business.**

Total early-stage Entrepreneurial Activity (TEA) in the Home Nations 2002-23

Source: GEM APS 2002-23

- The pandemic was a challenging time for small businesses, but the GEM Survey findings show that it also **prompted a notable rise in early-stage entrepreneurial activity** across the UK.
- However, a substantial amount of this growth in early-stage entrepreneurial activity is being driven by individuals pursuing **entrepreneurship out of necessity**. Around two-thirds of entrepreneurs say that a motivating factor for them is "to earn a living because jobs are scarce."
- At the same time, a fear of failure amongst the non-entrepreneurial population is at a historically high level. 6/10 non-entrepreneurs say a fear of failure would prevent them from starting their own business.
- Data from the Business Insights and Conditions Survey (BICS) shows marked changes in business concerns in 2024. Falling demand for goods and services, increased competition and taxation all became increasing concerns compared to 2023. By contrast, inflation, energy prices and interest rates became less important preoccupations for businesses.
- **When asked to consider their concerns about business turnover specifically, the cost of labour and materials, economic uncertainty, and competition were the concerns most frequently cited by SMEs.**

Growth and productivity

- Previous ERC research has demonstrated that **only a small proportion of small businesses in the UK reach significant growth milestones**. In fact, **business growth is becoming rarer in the UK**. Analysis of the ONS Business Structure database shows that although there are 400,000 more established SMEs than in 2010, the proportion registering any growth in employment has fallen from 20% to just 13%.
- Of the 325,811 start-ups registered in 2020, only 47% survived to 2023, and of these only 2% (3,049) managed to achieve the milestone of £1m turnover after three years. This is a proportion that has remained constant over the UK in the last decade.
- Between 2020 and 2023, only 7% of those firms that had managed to reach £1-2m turnover continued their growth journey and were able to 'step up' to reach the milestone of over £3m turnover. Furthermore, **only a minority of firms are able to grow their turnover whilst also continuing to** hire.
- New ERC research published in 2024 shows that a range of factors affect business investment decisions in firms. Positive influences on investment include the financial health of the business, higher levels of human capital, better management practices and a positive attitude towards business growth.

The small business ecosystem

- Data from the GEM Survey indicates that **the UK has several persistent weaknesses in its small business ecosystem**. Since the pandemic, the UK has been part of a group of high-income economies that have seen their **overall entrepreneurial environments slip from being regarded as 'sufficient' to 'less than sufficient'.**

Entrepreneurship Framework Conditions (EFCs) in the UK and USA, 2023

Source: GEM NES 2022
Note: EFCs scale: 0 = very inadequate, insufficient status; 10 = very adequate, sufficient status;

- The scores given by experts for the two entrepreneurial finance measures included in the GEM Survey (entrepreneurial finance provision and ease of access to finance) have fallen over the last three years. Further, there has been a **weakening in a number of other areas including government policies around business support and physical infrastructure**.
- New ERC research on equity finance amongst UK early-stage ventures shows that **the journey to accessing equity finance is often long and difficult**. One-third of the firms had sought equity finance in 2022-23, but only half were receiving any finance, with the average amount of their finance being two-fifths of their application requirement. Firms had typically also made five or more applications.
- Data from the Longitudinal Small Business Survey (LSBS) panel report shows that there has been a **steady increase in the proportion of SMEs using business support** since 2020, rising from about a quarter of firms (24.1%) in 2020 to 27.3% in 2023.

Innovation

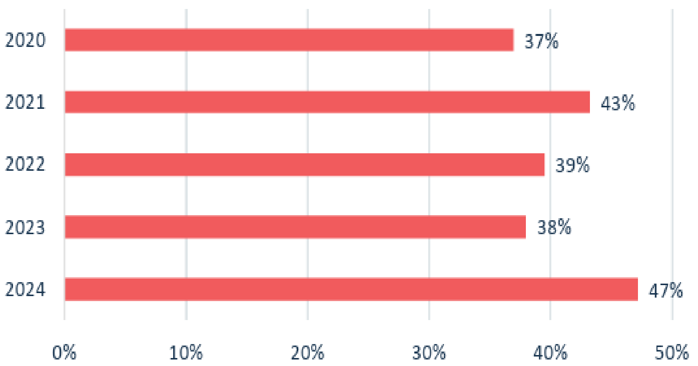
- Data from the UK Innovation Survey (UKIS) shows a **sharp decrease in innovation in recent years**. 36% of firms were innovating in 2020-2022 compared to 45% in the 2018-2020 period. **Large businesses are much more likely to be innovation active than their smaller counterparts**. In 2020-2022, the UKIS found that 50% of large businesses were innovation active, compared to just 36% of SMEs.
- The 2024 Innovation State of the Nation Survey (ISNS) found that 56% of businesses reported making product or service changes over the last year, falling from 61% in 2023. **Innovation rates fell more in small and micro-businesses than in larger firms.**
- The ISNS shows that **innovation is strongly associated with higher sales growth**. In 2023, the sales growth of innovating firms was 10% compared to 3% for non-innovating firms. In 2024, the gap narrowed slightly, with innovating firms growing around 7% compared to 2% for non-innovators.
- The after-effects of the Covid-19 pandemic and the cost of doing business crisis were the most commonly cited barriers to innovation in the ISNS. Firms said they would need/demand more innovation support over the next year.
- New ERC research based on analysis of the LSBS reveals dis**parities in the adoption of digital technologies amongst SMEs.** Artificial Intelligence (AI), robotics, automation, and VR/AR technologies are less frequently adopted than other technologies such as accountancy software. There are also differences in technology adoption by gender and location.

- Other new research highlights the **tensions small business leaders face when adopting net zero practices, such as conflicts between sustainability and business goals.** These can lead to firms becoming stuck in a 'cycle of inaction' when it comes to sustainability initiatives.

Management and leadership

- New ERC research has shown that **greater workforce diversity and inclusive working practices are strongly associated with higher levels of innovation activity.**
- Longitudinal research on workplace mental health in Midlands firms shows a **growth in long-term mental health related sickness absence in 2024 and ongoing issues with presenteeism**. The level of employer reported presenteeism remained higher than it was pre-pandemic, reported by 37.2% of firms in 2024. There is an 'attitude to action' gap when it comes to workplace mental health initiatives. Although there has been a growth in the proportion of firms adopting initiatives since the pandemic, 20% more firms say they believe that they should address mental health than are actually taking action.

Proportion of firms reporting some level of long-term mental health absence in the previous 12 months, 2020 to 2024, all firms



Source: ERC Midlands Mental Health and Productivity Survey Series
Base: 556 firms in 2020, 338 in 2021, 480 in 2022, 471 in 2023, 482 in 2024

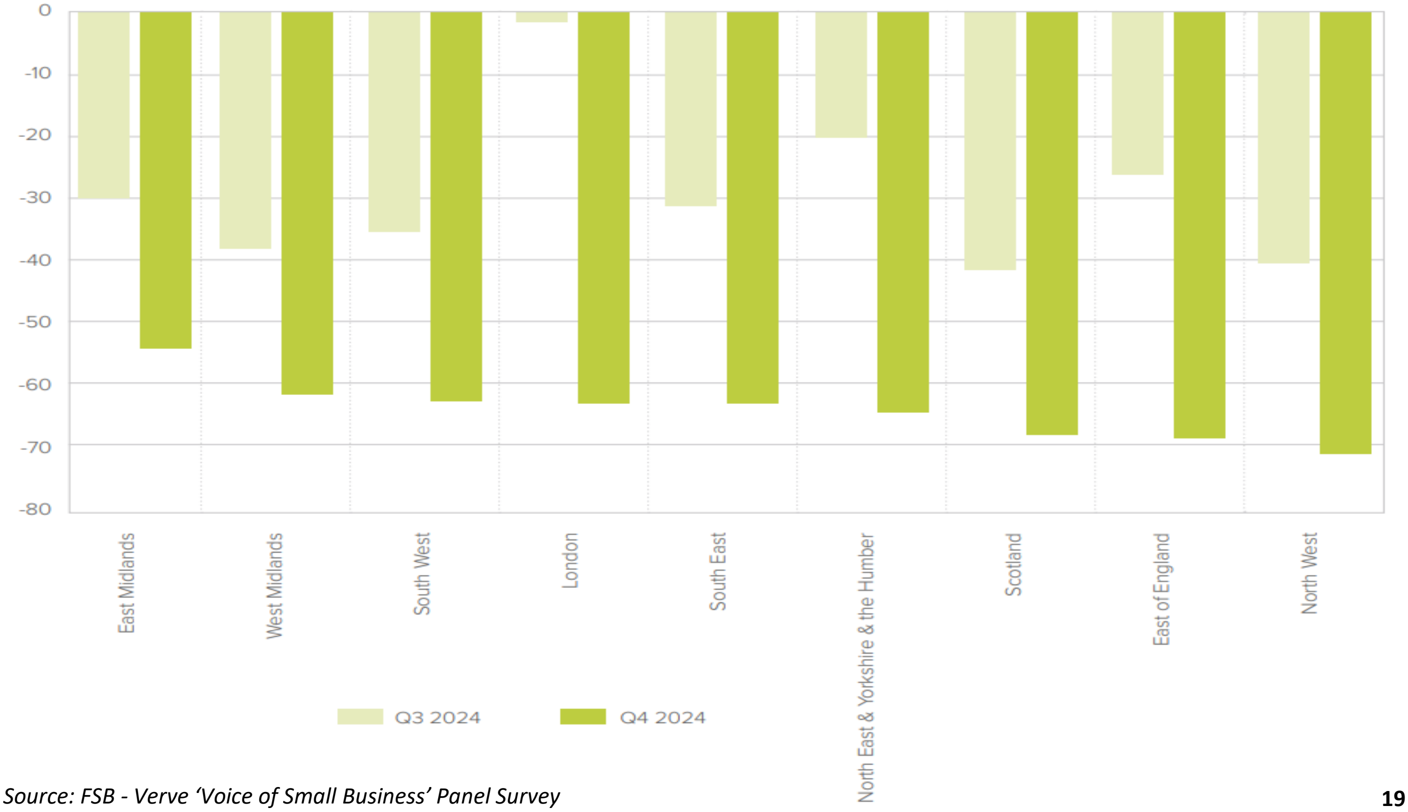
- **Smaller firms are much less likely to have workplace mental health initiatives in place** when compared to their larger counterparts. For example, 47% of firms with 10-19 employees had initiatives in place compared to 72% of firms with 50-249 employees, and 90% of firms with 250+ employees. Changes in working practices, particularly the rise in remote and hybrid working bring new challenges for employers. Although 72% of employers believed that employees working from home were happier, 53% said that it made teamworking more difficult and 46% said that employees working remotely can struggle because they lack interaction with others.

Small Business Index

Small firms are nervous about their prospects as 2025 gets underway as **key findings from [FSB's Small Business Index for Q4 2024](#) include:**

- The FSB Small Business Index (SBI) decreased to -64.5 in Q4 2024 from -24.4 in Q3. This marks the lowest reading since Q1 2020.
- Amongst regions, the North West registered the greatest level of pessimism for the next three months, recording an SBI score of -70.5. **The West Midlands experienced the smallest, albeit still substantial, decline in its SBI score, falling 23.3 points from Q3 2024 to -61.2 in Q4. The East Midlands recorded the least negative score, albeit still low at -53.9.**
- **No region reported an improvement from Q3, and all recorded negative scores.**
- In Q4 2024, the net balance of small businesses reporting revenue growth was -32.1%. Expectations for future revenue growth also worsened, with a net balance of -25.9% anticipating an increase in revenue over the next three months, down from -4.0% on the previous reading.
- **The export environment deteriorated**, as the net balance reporting growth in value dropped from -10.6% in Q3 2024 to -22.7% in Q4 2024. Businesses expect a further deterioration in export value in Q1 2025, with 36.9% of exporting businesses forecasting a decrease in value, compared to 29.2% expecting an increase.
- **The net balance of small businesses reporting an increase in operating costs reversed its decline since the start of the year, rising to 79.8%, its highest level since Q3 2023.**
- **Small business headcounts failed to record growth on net for the eleventh consecutive quarter**. Meanwhile, the share of businesses expecting to cut their staffing levels over the next three months increased to 25.8%.
- **The share of small businesses aspiring to grow over the next twelve months fell to 43.4%,** its lowest reading in four years. Concerns around the tax burden rose substantially. This was the second most cited response when considering factors weighing on businesses' growth prospects.
- **The share of small businesses applying for credit receded to 14.1%** in Q4, with the average interest rate decreasing to 7.5%.
- Small businesses' perceptions of credit availability and affordability remained relatively stable over the quarter. The credit index increased 0.1 points on Q3 2024 but remained negative, at -29.6.
- **The net balance of small businesses expecting to increase investment recorded a negative reading** for the first time since Q4 2020, at -14.0%. The West Midlands recorded the lowest net balance, with -39.8% experiencing revenue increases over Q4 2024.

Regional variation in small business prospects over coming three months:



Source: FSB - Verve 'Voice of Small Business' Panel Survey

Female-Led Companies

The Gender Index remains the most **extensive and comprehensive study of UK female entrepreneurship.** Annually, it analyses active companies across all four UK nations, uncovering trends in leadership, diversity, industry representation, business growth, access to funding, investment patterns, and turnover performance. Highlights from the 2025 Gender Index include:

UK female-led companies 2025:

Total active companies	Female-led	Ethnic minority female-led	Female-led fast growth
5,244,256 100%	1,004,409 19.15%	444,224 8.47%	1,603 0.03%

Midlands female-led companies 2025:

Total active companies	Female-led	Ethnic minority female-led	Female-led fast growth
709,409 100%	139,552 19.67%	62,059 8.75%	146 0.02%

For the West Midlands, 19.8% (82,810) active companies were female-led, with 9.5% (39,869) ethnic minority female-led. With 91 or 0.02% were female-led fast growth companies. For the East Midlands, 19.6% (56,742) active companies were female-led, with 7.7% (22,190) ethnic minority female-led. With 55 or 0.02% were female-led fast growth companies.

Top sectors by female-led percentage in the Midlands:

Sector Name	Total companies	Female-led	% Female-led
Health, wellbeing and social care	36,534	14,079	38.54%
Public health and safety services	1,786	643	36.00%
Education	14,330	5,091	35.53%
Service sector	30,132	9,724	32.27%
Administrative and support service activities	64,158	18,371	28.63%
Arts, entertainment and recreation	14,883	3,479	23.38%
Accommodation and food service activities	39,147	8,694	22.21%
Professional, scientific and technical services	73,907	15,524	21.00%
Agriculture, Forestry and Fishing	6,626	1,362	20.56%
Logistics and storage services	38,354	7,322	19.09%
Wholesale and retail	109,082	20,265	18.58%
Household employers	10,665	1,972	18.49%
Real estate activities	71,925	11,162	15.52%
Manufacturing	41,548	6,111	14.71%
Overseas organisations	74	10	13.51%
Information, communication and technology	41,928	5,562	13.27%

Health, wellbeing & social care is the sector with the highest percentage of female-led companies in the Midlands at **38.5%.**

However, wholesale & retail has the most female-led companies with 20,265 , but this is only 18.6% of the companies in the sector.

Female-Led Companies

Generations

Overall for the Midlands, the highest proportion of female-led companies are from the **Gen Z generation at 25.3%.** In broad terms, there is a relatively similar distribution of generational ownership among female-led companies across various regions of the UK. The proportion of Millennial and Gen Z female company leaders is highest in the East Midlands and West Midlands, while it is lowest in the North East and South West of England.

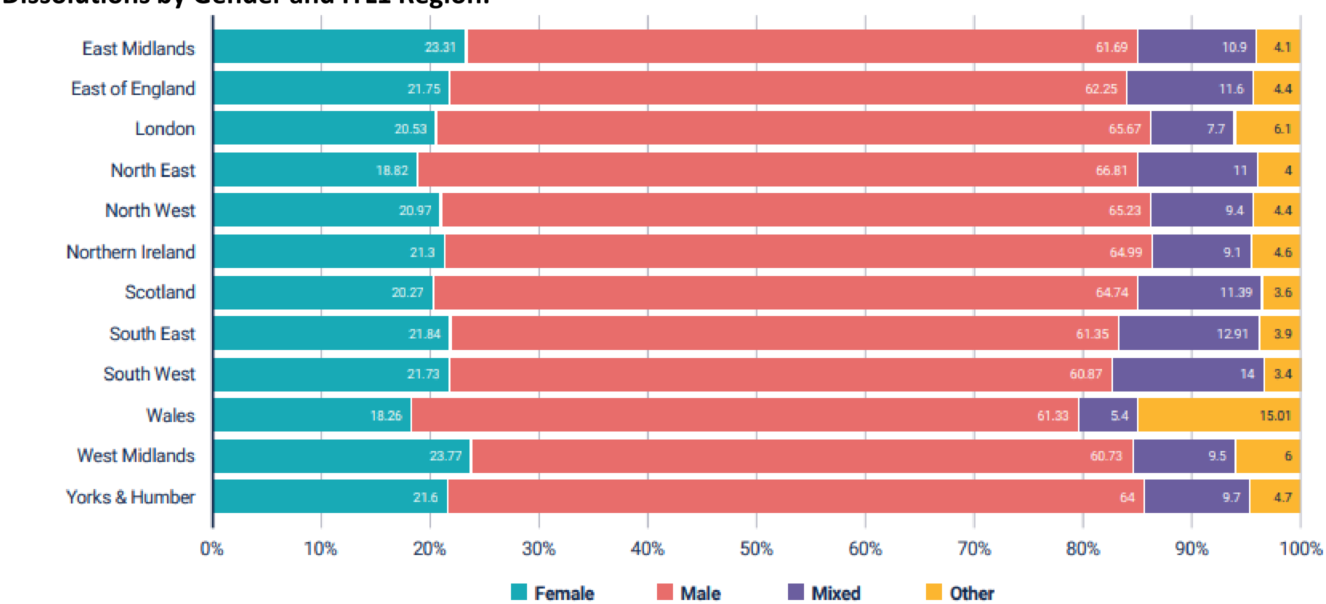
Midlands Generation Insights:

Generations	Total companies	Female-led	Female-led %
Generation Z	48,462	12,262	25.30%
Millennials	249,634	53,097	21.27%
Silent	3,426	700	20.43%
Generation X	290,683	53,202	18.30%
Boomers	103,815	18,805	18.11%

Dissolutions

Where the proportion of active, female-led companies is higher, there tends to be a greater proportion of dissolutions involving these companies, for instance, in the West Midlands and East Midlands.

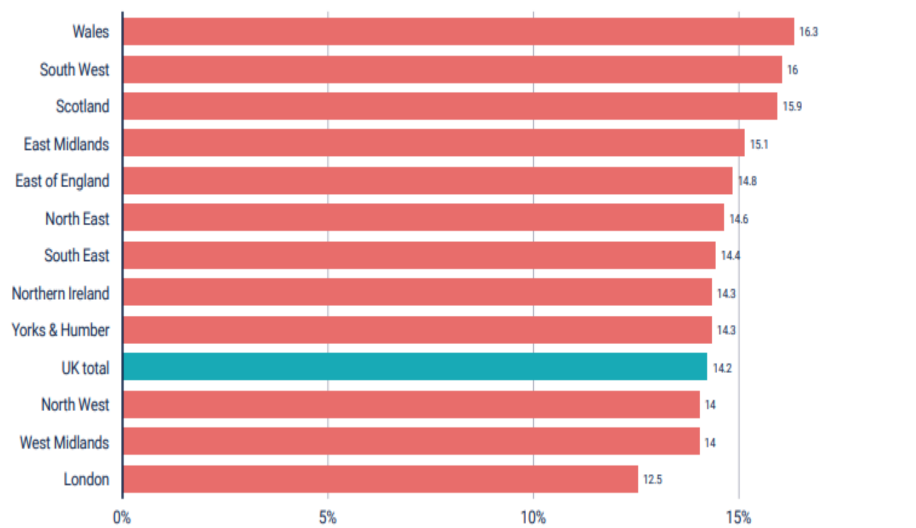
Dissolutions by Gender and ITL1 Region:



Secured Debt

Nationally, secured debt remains challenging for female-led companies. Only 14.2% of female-led companies accessed secured debt in 2024, compared to 61.1% of male-led companies. Across regions, Wales recorded the highest proportion of female-led companies with secured debt (16.3%), while London saw the lowest (12.5%). West Midlands was joint second lowest at 14% (with the North West), while the East Midlands was fourth highest at 15.1%.

Female-Led Companies with Secured Debt by ITL1 Region:



3. Opportunities

Place-Based Prosperity

The Midlands Engine has commissioned The Good Economy to develop a White Paper which provides insights and **recommendations to attract large-scale, long-term, socially responsible private investment for economic, social, and environmental prosperity across the Midlands region**.

A New Model - Place-Based Impact Investing

The PBII Framework PBII integrates financial returns with positive local impact by addressing specific place-based priorities. This model is built on four core traits:

The PBII Framework

Place	**Defining Place and Understanding Local Priorities**	**Collaboration and Stakeholder Engagement**
Impact	**Intentionality to Create Positive Impact**	**Impact Management and Reporting**

Effective PBII needs collaboration among local government, pension funds, fund managers, and central government, with aligned goals, clear governance, and a shared vision.

The Midlands Investment Opportunity

The Midlands, with an economy comparable to Denmark, offers significant opportunities for institutional investment to drive local economic, social, and environmental benefits. Its industrial heritage, central location, and diverse population of 11 million provide a strong base for change. However, the region faces challenges such as a £97bn economic output gap compared to the rest of England, high unemployment, and entrenched inequalities. Closing this gap is crucial for long-term prosperity.

Economic Goals

Key desired **economic outcomes** for the Midlands include:

- **Addressing skill shortages and improving employment opportunities** in line with the needs of key growth sectors.
- **Accelerating innovation commercialisation** to match the national average.
- **Closing productivity gaps** by improving urban economic performance, especially in Birmingham and Nottingham.

Social Impact and Addressing Inequality

Key desired **social outcomes** for the Midlands include:

- **Expanding affordable housing** to support workforce needs and community wellbeing.
- **Enhancing access to good jobs** through improved connectivity and urban regeneration.
- **Reducing child poverty** and improving social mobility.

Environmental Leadership and Net Zero Goals

Key desired **environmental outcomes** for the Midlands include:

- **Achieving net zero** through transformative investment in clean energy, green transport, and retrofitting initiatives.
- **Strengthening natural capital and biodiversity** through large-scale environmental projects like the Midlands Forest Network and Biodiversity Net Gain.

Key Opportunities

1. Sectoral Strengths and Growth Potential. The Midlands boasts diverse economic strengths, and significant clusters (incl. Advanced Manufacturing) with initiatives such as the Midlands Growth Story and Midlands Investment Portfolio, providing a framework to attract investment into a pipeline of **projects valued at ~£50bn**, provided they are adequately supported.

2. Institutional Investment Sentiment. The Midlands is generally perceived positively, recognised for its skilled industrial base and strategic position within the UK. Recent investment linked to HS2 in Birmingham has been positive. Greater collaboration between regional stakeholders would further boost investor confidence.

3. Inward Investment Leadership. Birmingham (WM) leads in attracting FDI outside of London. Expanding infrastructure investment and supporting SMEs could bring similar successes to other areas in the East and West Midlands beyond Birmingham.

Key Challenges:

1. Fragmented Regional Vision and Governance. The Midlands has lacked a unified narrative and governance, with political divisions hindering collaboration. A unified strategy and commitment to collaboration is needed to present a strong case for investment.

2. Infrastructure and Planning Barriers. As is the case across the UK, high infrastructure costs, lengthy planning processes, and regulatory challenges hinder investment, particularly in housing, transport, and energy projects. Addressing these barriers is essential to making the region more attractive to investors.

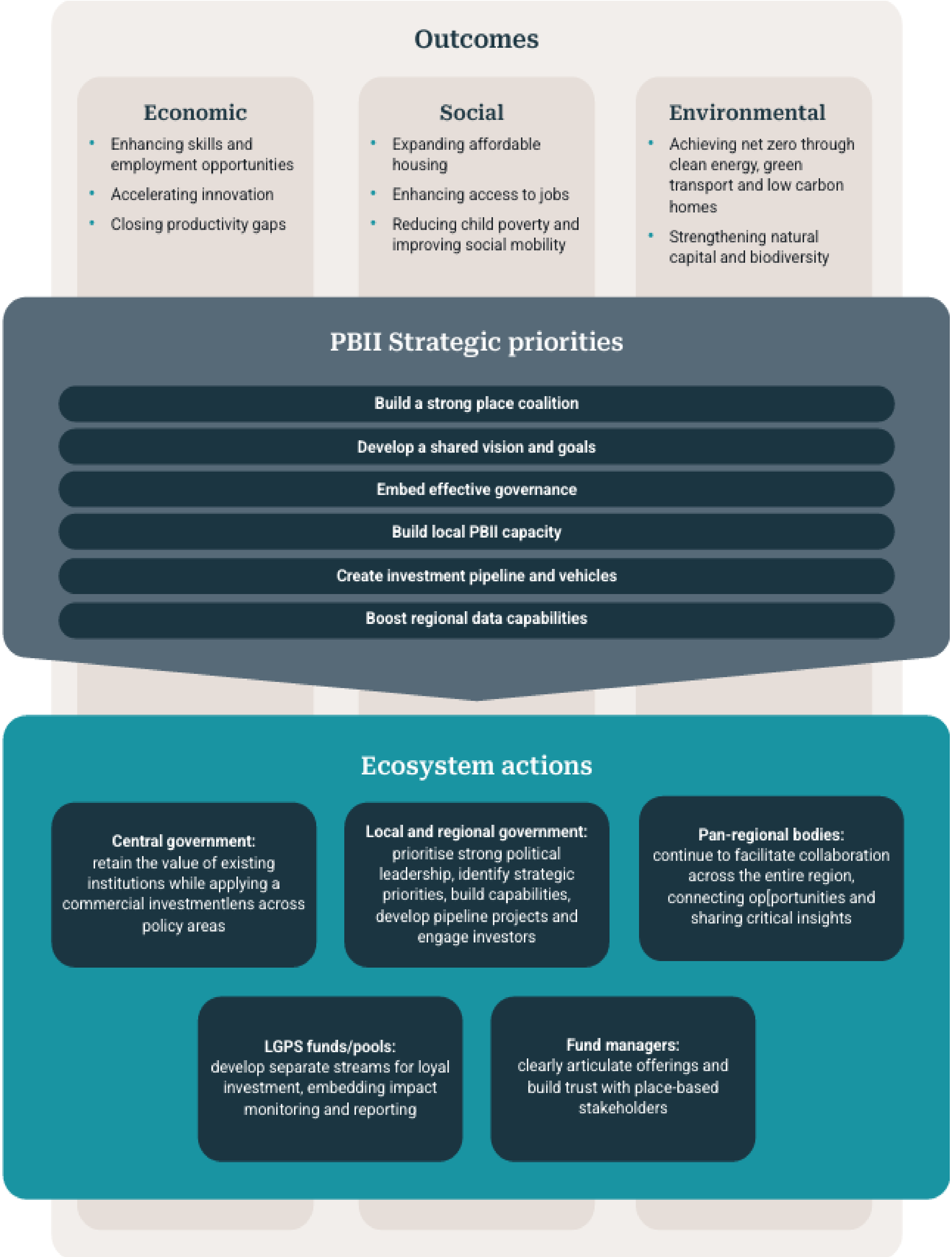
3. Capacity Constraints. Local authorities struggle with gaps in financial structuring, ESG assessments, and due diligence. They need targeted support and technical expertise to develop investable projects.

4. Unmet Investment Needs. Investments in housing, real estate, SMEs and emerging sectors demonstrate potential, but critical gaps exist in clean energy, utilities, social infrastructure, and regeneration projects. Strategic public funding, strong partnerships and innovative financing models are required to attract private capital. Engagement with Local Government Pension Schemes and other institutional investors could unlock resources.

Place-Based Prosperity

Applying the PBII model in the Midlands

Building on identified success factors and stakeholder insights, The Good Economy have developed a **contextually-relevant approach which balances the ambition of scaling up investment with the urgency of delivering immediate, tangible improvements** for Midlands communities. This approach is summarised in the below diagram:



Place-Based Prosperity

PBII Strategic Priorities

The Midlands is not starting from scratch in adopting a place-based investment strategy. **The region has solid foundations through established initiatives and models.** A strategy focused on **leveraging these assets, strengthening governance and aligning investments with regional and local growth goals** will help the Midlands achieve significant economic and social outcomes. Immediate actions should focus on refining governance structures, building capacity, and advancing high-priority investments. Strategic priorities include:

1. **Building a strong place coalition**
2. **Developing a shared vision and goals**
3. **Embed effective governance**
4. **Build local PBII capacity**
5. **Create investment pipeline and vehicles**
6. **Boost regional data capabilities**

This approach emphasises collaboration between public and private sectors to align investment goals with regional outcomes. An outcomes-based framework will guide how investments contribute to economic and social objectives, ensuring all priorities are addressed.

Building a PBII Ecosystem for the Midlands

The paper outlines key recommendations to foster a step change in place-based investment across the Midlands, urging stakeholders to take a collective approach to address regional growth, net zero goals, and investors confidence. Its recommendations are structured to guide action from central and local government, local and regional bodies, pensions funds, and fund managers.

Actions for each member of the investment ecosystem:

1. Central Government: Central government must apply a commercial investment lens across all policy areas with material impact on local and regional investment – including industrial policy, devolution, planning and pensions regulation. This includes incentivising local stakeholders, supporting government agencies as partners, and unlocking opportunities through land use.

2. Local and Regional Government: Local government should prioritise strong political leadership, build necessary capabilities, foster constructive engagement with investors, and focus on improving local skills to attract external investment. Emphasising "quick wins" will build confidence and momentum.

3. Pan-Regional Bodies: Given the ongoing devolution review, there is a strong case for continued pan-regional coordination across the Midlands. Existing bodies like Midlands Engine and Midlands Connect possess valuable institutional knowledge that should be integrated into future structures.

4. LGPS Funds/Pools: Pension funds should learn from successful models like Greater Manchester and South Yorkshire Pension Funds, developing separate streams for local investment. Establishing frameworks and committing to independent monitoring and assessment of place-based impact will ensure transparency and accountability.

5. Fund Managers: Fund managers should focus on communicating investment offerings clearly and engage with place-based stakeholders to build trust. Adopting a "place lens" for investment strategies and being open to testing new models will drive local impact.

Several **guiding principles** should be applied across the ecosystem to accelerate action and impact:

1. **Act with urgency** – Address economic growth, net zero, and investor confidence.
2. **Build on existing strengths** – Leverage local knowledge and capabilities.
3. **Ensure long-term resilience** – Design investments to build a resilient, sustainable and fairer economy which can withstand wider political and economic shifts.
4. **Mobilise behind the shared vision** – Align on the North Star to deliver social, environmental and economic goals.
5. **Engage with communities effectively and intentionally** – Actively engage in dialogue to inform investment strategy on an ongoing basis.
6. **Align incentives** – Ensure local government and investors commit to timely action.
7. **Share risks and returns equitably** – Assign risks to those best positioned to manage them, whilst ensuring returns are fairly distributed.
8. **Learn from others** – Adopt best practices, learning from innovators such as Greater Manchester and beyond.

Conclusion

The Midlands region has significant investment potential, and this report serves as a starting point for an ongoing conversation about how to unlock sustainable prosperity through place-based investment. The region already possesses the foundational elements needed to succeed. A place-based approach can help to address the region's economic, social and environmental challenges – but this needs to be driven intentionally. Collaboration will be key. Successful PBII requires an ecosystem and by learning from other successful examples stakeholders can collectively achieve transformative growth.

East Midlands Inclusive Growth Commission

The East Midlands Inclusive Growth Commission

The East Midlands Inclusive Growth Commission is a 12-month exercise, commissioned by the Mayor of the East Midlands Combined County Authority (EMCCA) Board to **make recommendations on what a truly inclusive growth strategy for the region would look like**.

The Opportunity

The East Midlands is the **best-connected region in the UK with 91% of the UK within a 4-hour drive**, making it well placed to benefit from networked industries now and in the future. Previous Midlands Engine research has highlighted **industrial clusters in defence, clean energy, advanced manufacturing, life sciences, creative industries and professional services**. The East Midlands boasts **three inland freeport sites with tax breaks and investment incentives** as well as **three Investment Zone sites** with committed public investment and tax breaks with opportunity of £383M of private investment, £160M of public investment and 4,000 new jobs for the region. The region has a record **£410 million public investment to develop cutting-edge fusion energy**, which promises to be a safe, low carbon and sustainable part of the world's energy supply with potential to help sustain net-zero in the future. Together with other initiatives such as the East Midlands Investment Zone and East Midlands Freeport, can provide the basis for developing a broader clean energy and related sectors cluster across the East Midlands. Connecting Nottingham and Derby into a knowledge-intensive growth corridor could deliver a range of benefits, including: more than 30,000 new homes, over 40,000 full time equivalent jobs and £2.4bn in GVA per annum once fully developed.

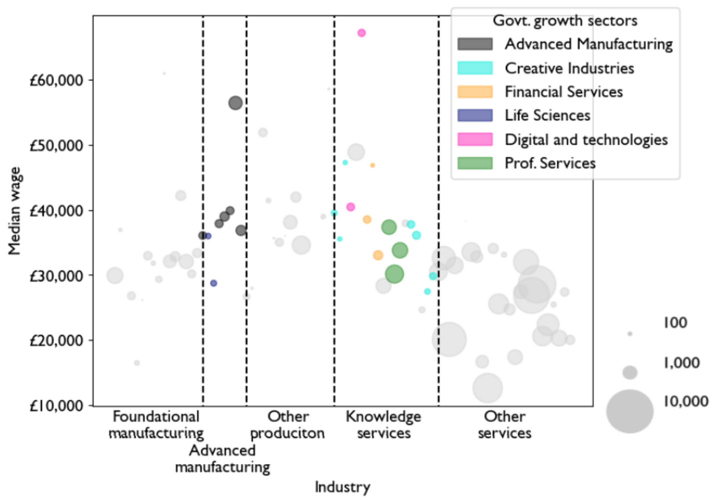
Inclusive growth

An inclusive growth strategy should consider which sectors will matter for growth and job-creation now and in the future, with an understanding of how to leverage the existing skills of the people who live in the region. The plan for the East Midlands therefore should foster new industries, while considering the skills of workers in the region and helping local people to find clear routes to get on and get up an **'opportunity escalator'** that can meet the aspirations of the people of the region, and support them into higher skilled, better paid and more secure jobs in a wider number of sectors. Crucially, an inclusive growth plan needs to address the social factors that make it harder to enter and progress in work. **The report identifies four research areas to help diagnose the issues and shape the solutions**: Inclusive Industrial Strategy (sectors, strengths and opportunities), skills and inclusive growth, social factors in economic inclusion and the economic geography of EMCCA & around.

Sectors and skills for inclusive growth

The East Midlands has existing sectoral strengths in traditional manufacturing, food production, engineering, the defence industries, construction and minerals. The region has a strong health and social care presence, and there has been growth in jobs linked to the visitor and experience economy. There has been recent success in creating high value-added jobs in the ICT sector and in the professional, scientific and technical services industries. Looking ahead, **the region has clear opportunities in the areas such as clean energy production, advanced manufacturing, life sciences and the creative industries.** The UK Government's Industrial Strategy Green Paper identified eight 'growth-driving sectors', shown in coloured circles on the chart below. The East Midlands has existing strengths in several of these growth sectors, however 83% of workers are employed outside of these sectors. The three largest sectors are healthcare, education and retail. Many of these jobs-rich industries are dominated by SMEs – and these will remain the key engine of broad-based growth.

Sectoral employment and wages in the East Midlands



Qualification levels

There are large variations in qualification levels across EMCCA – **fragmentation and duplication in skills-provision are leaving clear gaps in provision and a confusing system for people to navigate**. Survey results show there is a broad agreement that building the 'skills of the future' will involve addressing specific sector-based gaps and building more agile institutions. East Midlands residents tend to think there are insufficient incentives and flexibility for in-work training and reskilling: 44% of EMCCA residents expressed an interest in taking on new skills and training, but of these, one third (33%) said that affordability issues had stopped them from doing so. Other barriers included difficulties balancing education and work (26%), a lack of flexibility in courses (24%), and a lack of guidance/understanding on how to navigate the skills landscape (20%).

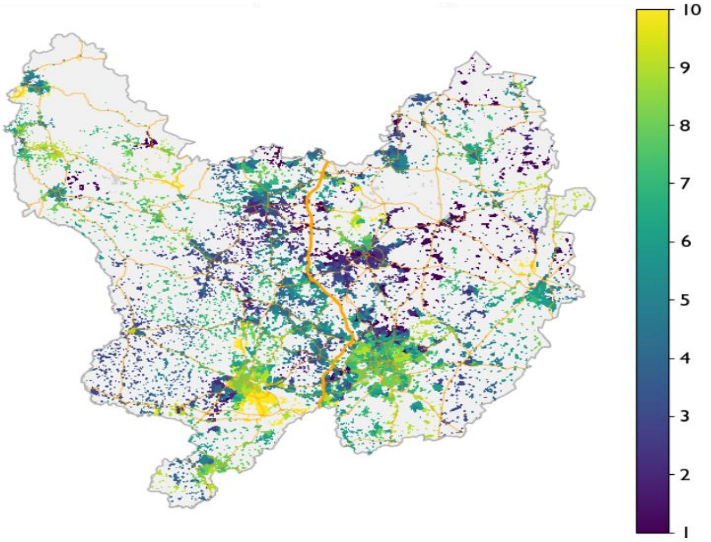
Breaking down the barriers to growth

Health issues and economic outcomes are closely related as being out of work or on a low income leads to economic deprivation, which worsens people's health. In the UK, labour participation has fallen – more people are economically inactive due to illnesses. **In the East Midlands, there are some areas where up to 60% of the working age population report that they have a long-term illnesses – some of the highest rates nationally**. Additionally, the UK suffers from a national housing crisis stemming from a shortage of homes in the places people want to live. **One consequence of this crisis is housing-related issues impeding people from taking advantage of training and job opportunities**. Research shows housing costs lead to **lower-income people and families living further from concentrations of high-quality training and jobs**. High housing costs are also weighing on household finances to the extent that they are forced to forsake investing in training opportunities.

Connectivity in EMCCA

Nationally, the region enjoys an advantageous position and enviable connections. Within the region, however, the Commission's analysis shows that **some areas in the East Midlands are not well connected to the places where employment is currently happening**. Transport is subject to significant geographic disparities: **In rural areas, only 45% of people surveyed considered the current provision 'good', compared to 60% in urban areas and 70% in Nottingham**. People being far from good employment held businesses back and worsened skills/staffing mismatches and discouraged inward investment. In a survey, **34% of residents said that improvements to transport links would make some of the biggest improvements to their region and lives, second only to more and better jobs (45%)**.

Connectivity to higher-productivity jobs by public transport



Access to green space

There is a growing body of evidence that being able to access nature (or 'green space') plays a large role in health and wellbeing. This includes through **better mental health, improved physical activity levels, and possibly better outcomes in relation to obesity**. There are many other ways to ensure that natural spaces are part of economic development, including through urban development and regeneration, and by partnerships between private landowners, charitable groups and public authorities to open access to privately owned green spaces.

Leveraging investment for inclusive growth

Some areas in the East Midlands perform well against a national baseline, but this masks large differences in how urban and rural areas perform in general. Closing the gap with the highest performing areas will mean drawing in much higher levels of private financing for economic development. Analysis of the relationship between regional productivity levels and human and economic capital suggests that **large investment in the economic capital of the East Midlands will be required to close the gap to average productivity levels in the UK**. This emphasises the importance of leveraging public investment to attract more private sector financing. Extending this analysis to size the potential prize on offer shows an increase in per capita investment levels to raise GVA levels in the East Midlands to the UK average would mean an **extra £7,500 of GVA per job and a 15% pay increase for workers**.

Next steps for the Commission

There is **latent opportunity in the region, but this requires a different model of growth from the usual city-region approach**. To meet the latent opportunity of the East Midlands, the report highlights the following:

- **Fixing the historic underinvestment in the region** – **public spending per person in the East Midlands is the lowest in the UK, at just £16,785 versus over £21,000 per person in London.**
- Giving the new Mayor an **integrated funding settlement across local growth and place, local transport, adult skills, housing and regeneration, buildings retrofit and employment support** - to move past the existing approach and allow the Authority to plan strategically and flexibly.
- Giving the East Midlands an **enhanced 'trailblazer' status** alongside Greater Manchester and the West Midlands to design more integrated health and employment support services.

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OBSERVATORY