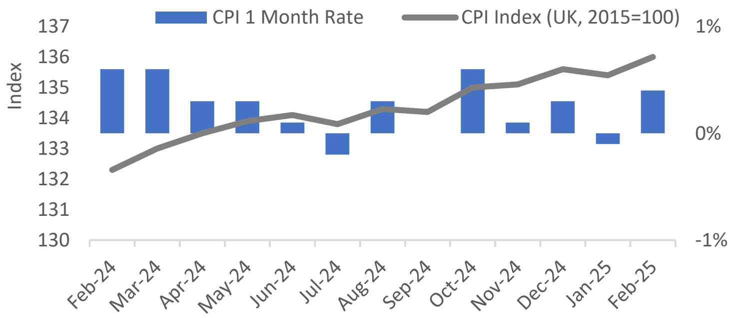
Sandwell Monthly Economic Insights, March 2025

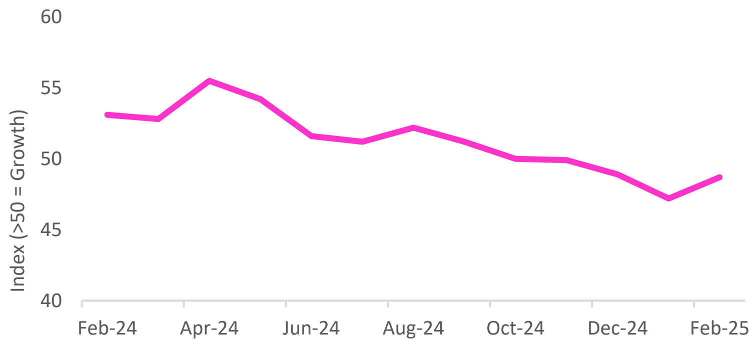
Economic uncertainty looms as GDP fell 0.1% in January 2025 and growth forecasts downgraded. Declining business activity in the West Midlands is linked to cost pressures and contract losses. The Spring statement aims to reinforce economic stability, this comes as businesses welcome government pledges to cut red tape and unnecessary regulation, saying the focus must be on removing barriers to growth, especially in evolving sectors such as tech and AI where the opportunities to achieve a competitive advantage are strong. Locally, female entrepreneurship in Sandwell remains weak, long term sickness remains an issue, and child poverty is a continuing concern.

Monthly Monitoring Indicators

UK Consumer Price Index (CPI)

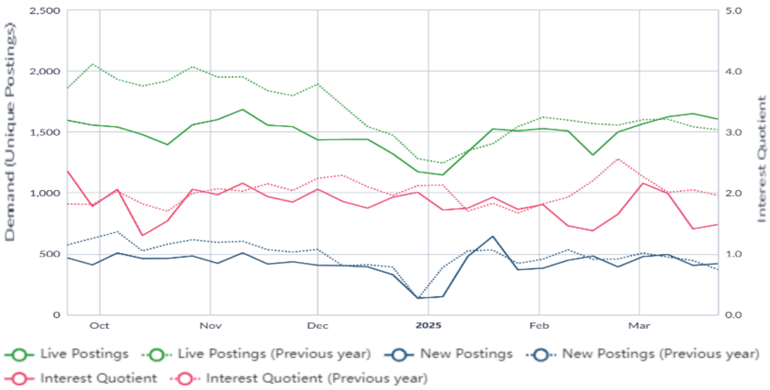


West Midlands Business Activity Index

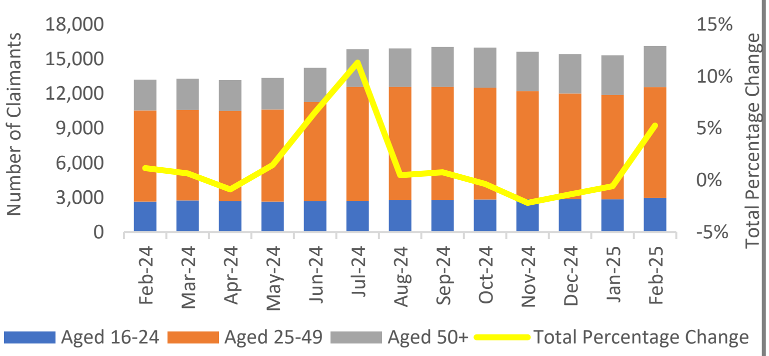


- Utilising a base year of 2015, UK **CPI was 136.0** in February 2025 – **an increase of 0.4% from the previous month.**
- The West Midlands **Business Activity Index increased** from 47.2 in January 2025 to **48.7 in February 2025.**

Sandwell Job Demand and Interest Trend

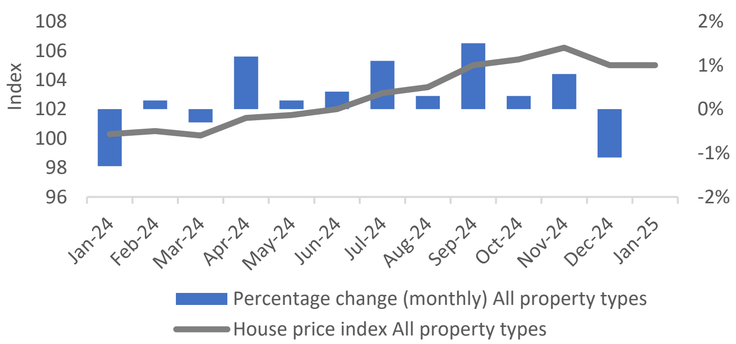


Sandwell Claimants

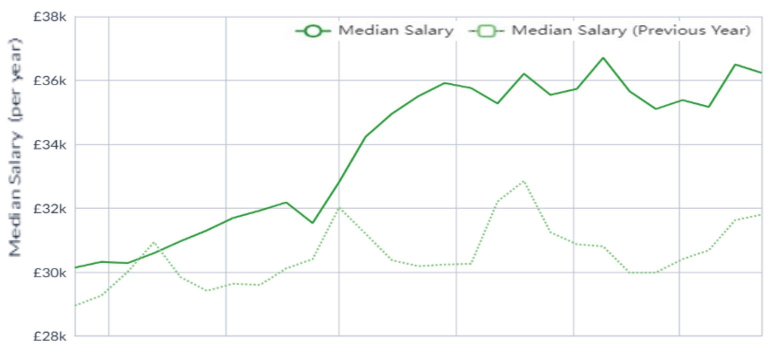


- In the past month: **3,444 job postings (-2.2% YoY), 1,810 new postings (-0.4% YoY).** 1.7 (high) Interest Quotient.
- In total, **16,125 claimants in February 2025**; **+805 since January 2025**, (+2,925 since Feb '24).

Sandwell House Price Index



Sandwell Salary Trend



- Sandwell's **House Price Index was 105 in January 2025**. The monthly **Index decreased remained unchanged.**
- In the past month, on Adzuna: **Median Salary of £35,286**, **+16.3% year on year.**

Other Recent Data Releases

- The 2025 Gender Index shows for Sandwell:
    - **17.3% (3,905) of total active companies were female-led**, below the UK average of 19.2%.

- Office for National Statistics (ONS), have released housing affordability in England and Wales for 2024:
    - **Sandwell house price to residence-based earnings ratio: 6.42** (-0.37), England 7.71 (-0.70) compared to 2023.
    - **Sandwell house price to workplace-based earnings ratio: 6.39** (-0.20), England 7.71 (-0.70) compared to 2023.

- HM Revenue & Customs (HMRC) have updated local sites and numbers of employees linked to businesses involved in international trade in goods, which now covers up to 2023:
    - Sandwell had **1,313 local sites linked to an exporting enterprise** (16% of all for Sandwell), and **44,228 employees linked to an exporting enterprise** (44% of total for Sandwell).

- Updates on the Public Health England Fingertips tool include: child & maternal health – dementia – diabetes – health trends – NHS health checks – palliative & end of life care and sexual & reproductive health.

- An update from Department for Work and Pensions (DWP) on children in low income families: local area statistics found for **Sandwell in the FYE 2024** that:
    - **33.3% of children** (aged under 16) were living **in absolute low-income families,** above the England average of 18.7%.
    - **37.7% of children** (aged under 16) were living **in relative low-income families,** above the England average of 21.8%.

- Analysis from Learning and Work Institute (L&W) for the Commission for Healthier Working Lives shows that the number of people out of work and **not looking for work with a health condition has risen** across all UK nations and regions – in **Sandwell, 6.7% are long-term sick**.

- ONS have updated labour demand volumes by Standard Occupation Classification (SOC 2020), up to January 2025, **of the 2,895 job postings in Sandwell, the most in demand occupation at 11.4% of the total was skilled metal, electrical and electronic trades** (England: 5.6% of total).

- The latest regional trade in goods statistics released from the HMRC found for the West Midlands region:
    - Since 2023, the West Midlands region's **goods exports increased** by nearly £336m (**+1.0%**) to **£35.3bn in 2024.**
    - Since 2023, the value of West Midlands region's **goods imports increased** by £213m (+0.5%) to **£42.7bn in 2024.**
    - The West Midlands had a **trade in goods deficit of £7.4bn** in 2024, a decrease from a £7.6bn trade deficit in 2023.

Economy and Business Intelligence

THEME	KEY INSIGHTS
Economic 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 because of growth in the services sector. • **Against a more challenging and uncertain outlook than in autumn, the OBR have halved their forecast for economic growth this year from 2% to 1% and lowered the forecast path for the level of productivity.** • 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. **The West Midlands is expected to grow by an average of 1.5% between 2025-2028, with employment growth an average of 0.6% between 2025-2028 (0.7% UK).** • British Chambers of Commerce forecasts **predict GDP will grow 0.9% in 2025**, driven largely by increased government spending. The national insurance hike is expected to hit investment, recruitment and prices in the coming months. The

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	BCC suggests that to unlock growth, the government should publish a tax roadmap on national insurance and business rates. This would enable firms to know when cost-pressures will ease, allowing them to plan their investment decisions. • 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 Environment	• The Consumer Prices Index including owner occupiers' housing costs (CPIH) **rose by 3.7%** in the 12 months to February 2025, down from 3.9% in the 12 months to January. **The Consumer Prices Index (CPI) rose by 2.8%** in the 12 months to February 2025, down from 3.0% in the 12 months to January. • 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 1.4%**. This figure remaining low is a positive indication, suggesting that headline inflation figure is being driven by large price increases in a few sectors, with inflation rates broadly falling for most items. • **NIESR forecast inflation to remain above the Bank of England's 2% target in 2025 given increased public spending, persistent wage growth and global trade fragmentation.** • The latest NatWest Purchasing Managers Index (PMI) reports 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 UK Business Activity Index decreased from 50.6 in January 2025 to 50.5 in February 2025. • **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. • 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. • Despite this, 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 **almost entirely 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, with particularly low readings exhibited for consumer-facing services, such as accommodation and food services and wholesale and retail. When considering the data at the regional level, the same trend of unanimous negativity and worsening was observed. The West Midlands confidence was -61.2. • 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 41.09% in the West Midlands, 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. • 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%. As a result, proportions have fallen in the regions, including in the West Midlands (reducing from 6.8% to 5.9% of the total), accounting for 3,192 companies. • **Venture capital investment in the West Midlands jumped 78% in Q4 2024 to £69.8 million,** driven by a major deal with Quanta Dialysis, as the UK retained its position as Europe's top destination for VC funding. • **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%.

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	• Businesses have welcomed government **pledges to cut red tape and unnecessary regulation**, saying **the focus must be on removing barriers to growth**, especially in evolving sectors such as tech and AI where the opportunities to achieve a competitive advantage are strong. • At a time when Equality, Diversity and Inclusion interventions are increasingly being challenged, and in the context of severe national skills shortages, it is essential that the important contribution made by women researchers is fully recognised. **Women now represent four in ten (41%) of active researchers in the UK**, which is in line with the US (42%) and the average for the European Union (42%). The UK has also seen an improving trend in awarding grants to female researchers, with close to two fifths of grants awarded to women in 2022.
Labour Market	• Estimates for payrolled employees in the UK increased by 21,000 (0.1%) in February 2025 when compared with January 2025 and rose by 67,000 (0.2%) between February 2024 and February 2025. • **The estimated number of vacancies in the UK were broadly unchanged on the quarter** with estimates suggesting a small increase of 1,000 (0.1%) vacancies to 816,000 in December 2024 to February 2025. Vacancies remained above pre-coronavirus (COVID-19) pandemic levels. • **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.** • **Annual growth in employees' average earnings was 5.9% for regular earnings (excluding bonuses) and 5.8% for total earnings (including bonuses) in Great Britain in November 2024 to January 2025.** • 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. This marks the largest annual rise since the time series began in 2012.** 15.7% of employee jobs in the UK (4.5 million jobs) were paid below the real Living Wage in April 2024 – an increase from 13.0% (3.7 million jobs) in April 2023. In the West Midlands, this increased from 14.3% to 18.3%. **This reflects the economic pressures of the cost-of-living crisis, as low-paid workers faced a steep rise in day-to-day costs while wages failed to keep pace.** The findings highlight that low pay remains a significant challenge in the UK labour market and reinforce the need for wages that reflect the rising cost of living. • NIESR has found that **stagnation in real income growth in the last 15 years has caused UK living standards to plummet and cost UK workers thousands of pounds per year. This is driven by weak productivity growth: countries that experienced stronger productivity growth over the 2010s had the strongest wage growth.** • Institute of Directors data shows that **47% of business leaders facing higher National Insurance bills plan to reduce employment** in response, and that business hiring intentions over the next year remain around lows last seen at the height of the COVID-19 pandemic. • Today, **one in five workers (20.6%) work mainly from home, quadrupling since 2019** when only one in 20 people did (5%). However, with 'return to office' mandates hitting the headlines on a regular basis, there has been limited attention paid to the experiences of disabled workers. Nearly one in four of the working-age population are disabled, but disabled people continue to face a substantial employment gap and disadvantages in the labour market. Despite increasing demand for remote and hybrid roles, there is an advertising gap, with only one in 26 vacancies (3.8%) on the Department for Work and Pensions Find a Job portal including an option for such work. • **People in professional occupations do not reflect the population as a whole – with those from working class and ethnic minority backgrounds notably underrepresented**. **This analysis** of UK recruitment data on 2 million young people ascribes these inequalities to employer decisions during recruitment. In other words, employers are disproportionately filtering out candidates from underrepresented groups. Applicants from lower socio-economic backgrounds are 32% less likely to get an offer than similar applicants from professional backgrounds. That gap is 45% for Black applicants, and 30% for Asian. One notable exception is that women are more likely to receive a job offer than similar male applicants. • This comes as new research by the Sutton Trust reveals **only 5% of medical students are from working class backgrounds despite efforts to widen access to the profession**. The research, finds that although the proportion of medical students from the lowest socio-economic backgrounds more than doubled since 2012, they still accounted for just 5% of entrants in 2021. In contrast, **75% were from higher socio-economic backgrounds, based on their parents' occupation**.

Economy and Business Intelligence – By Sector

SECTOR	KEY INSIGHTS
Manufacturing and Engineering	• 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.**
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.
Digital / Tech	• 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.
Transport Technologies and Logistics	• 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.**
Environmental Technologies	• 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. • 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.**

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
COMPANY	**LOCATION**	**SECTOR**	**DETAIL**
Downing Renewable Developments	Sandwell	Energy	Downing Renewable Developments has secured approvals for two large-scale energy storage projects including a 100MW Battery Energy Storage System near **Rowley Regis**, West Midlands. The **Rowley Regis** project will have the capacity to store enough energy to power 300,000 homes for two hours.
PDS Direct	Sandwell	Logistics	**Oldbury**-based logistics specialist PDS Direct is accelerating its growth with a funding package from Lloyds. The support is fuelling an expansion of fleet, workforce and infrastructure following a five-year contract win. With the funding, the company has increased its fleet by 25%, recruited 45 new employees and invested in sustainable operations.
Benbow Steels	Sandwell	Manufacturing	All jobs at Benbow Steels, a specialist supplier of colour-coated steel products based in **West Bromwich**, have been saved with its sale out of administration. The administrators sold the business and its assets to Wolverhampton-based Nautilus Designs Ltd.
GenAir UK	Wednesbury	Services	GenAir UK, a **Wednesbury**-based air compressor supplier, has been acquired by STAR Capital Partnership LLP. The acquisition was financed by Clydesdale Bank (trading as Virgin Money) and Santander UK. GenAir UK, which operates a fleet of over 800 air compressors and dryers, serves various sectors, including aerospace, petrochemical, rail, sewage treatment, and civil engineering. The company’s subsidiary, GenAir Asset Leasing is also part of the acquisition.