



MIDLANDS ENGINE QUARTERLY ECONOMIC COMMENTARY (DRAFT)

November 2019



Economic Observatory



Introduction

Welcome to the fourth edition of the Midlands Engine Quarterly Economic Commentary. This report is produced by the Midlands Engine Economic Observatory.

The purpose of the report is to provide intelligence that can inform, support and influence important decision making to ensure strategy and policy is evidence led. The report will be produced on a quarterly basis with each quarter reporting on the latest data to be released. The first quarter in March focused on the Economy with the main emphasis on GVA. The second report centred on people with the main focus on qualification levels. The third report in August focused on place, population and dwelling stock analysis. This fourth report is focused on enterprises and jobs.

The report is supported by a master spreadsheet of data which contains a selection of headline indicators from national data sources. The data can be downloaded via the Midlands Engine website (www.midlandsendengine.org) and is updated as soon as national data is released. The indicators are made available at Local Authority level.

We welcome any feedback on the content and format to ensure this report meets the needs of partners. Please forward any feedback to info@midlandsendengine.org

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Glossary:

Gross Domestic Product (GDP): Measure the value of goods and services produced. It estimates the size of and growth in the economy. The main data for these estimates are from turnover data from approximately 1.9m Value Added Tax returns.

Earnings: Annual Survey of Hours and Earnings is conducted in April each year. The best practise for presenting earnings estimates is to use the figures for full-time workers. Annual gross pay is used in the analysis.

Key Messages in Context

Earnings

- The **average annual full-time earnings** for the Midlands Engine **residents** has increased by £621 (+2.2%) from £28,143 in 2018 to **£28,765** in 2019. The UK has increased by 2.7%. However, there is a gap in resident based earnings of £1,588 compared to the **UK average (£30,353)**.
- Compared to 2004 resident earnings have increased by £7,647 (+36.2%), slightly below the UK average growth rate of 37.6%.
- Resident earnings in the Midlands engine area have been steadily increasing since 2015, with an average growth of 2.5% which is above the UK average of 2.2%
- The average annual **workplace based earnings** have increased by £702 (+2.6%) from £26,695 in 2018 to **£27,397** in 2019. The UK has increased by 2.7%. Although there is a **gap of £2,956** to reach the UK average.
- Compared to 2004, workplace earnings have increased by 34.4%, lower than the UK rate of 37.6%.
- Workplace earnings have steadily increased since 2016, with average growth at 2.8%, while the UK growth was 2.4%.

Regional Gross Domestic Product (GDP)

- Previously GDP was only available at a national level, since September 2019, quarterly regional GDP is now available. The Midlands Engine GDP is looked at through the two regions; East Midlands and the West Midlands.
- In Quarter 4 2018, GDP grew for both the East Midlands (+0.3%) and the West Midlands (+0.6%), as well as across the UK (+0.3%). However, in Quarter 1 2019, GDP shrank in the East Midlands (-0.2%) but grew in the West Midlands (+0.5%), as well as growing in the UK (+0.6%).
- GDP can be broken down into four sectors -agriculture, production, construction and services. The growth in Quarter 1 2019 can be attributed to the services sector for both the East and West Midlands (+0.23pp and 0.54pp respectively).

Enterprise Characteristics

- A snapshot of the Business Demography dataset provides a breakdown of the enterprises by sector as of March 2019 - this will not reflect the full number of enterprises.
- The snapshot shows **367,230 enterprises** in the Midlands Engine, up by 0.8% since last year.
- In 2019, the business, professional and financial services sector accounts for 31.0% of the business base. Since 2017, life sciences and healthcare saw the largest decrease in enterprise stock after losing 1,395 enterprises (-8.6%), while the logistics and transport technologies sector increased its stock by 605 enterprises (+2.9%).

Total Jobs

- The number of jobs across the Midlands Engine have decreased from 4,408,000 in 2017 to **4,399,000** in 2018 (-0.2%). Across England there was an increase in the number of jobs by 0.6%.
- Since 2009 there has been an increase in the number of jobs across the Midlands Engine by 377,000, Greater Birmingham and Solihull LEP has seen an additional 127,000 jobs since 2009. The smallest increase since 2009 has been in Coventry and Warwickshire LEP (+12,000 jobs).
- There is higher than the UK average employment in small businesses with 10-49 employees, 9.1% of people are employed in small businesses in the Midlands Engine compared to 8.6% in the UK.

Jobs by Sector

- Despite the overall number of jobs falling, some sectors saw an increase in the number of employees.
- Business, professional and financial services (+18,555) and public sector inc. education (+21,450), both saw significant increases in the number of jobs.
- Advanced manufacturing and engineering (-11,835), life sciences and healthcare (-10,300), low carbon and environmental technologies (-4,925), cultural economy Inc. sports (-34,370) and logistics and transport technologies (-210) reported a reduction in the number of employees.

Key Statistics

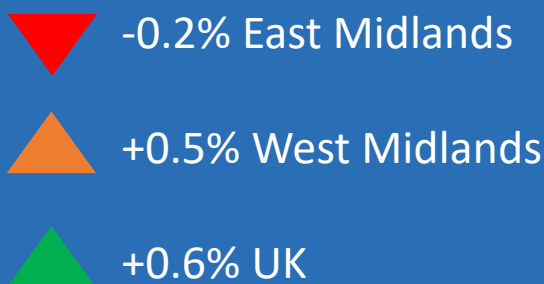
Average Resident Earnings Continue to Increase and in 2019 stands at £28,765



Average Workplace Earnings Have Increased by £702 Since 2018 to Reach £27,397 in 2019



Regional GDP has increased across the West Midlands, but decreased across the East Midlands in Quarter 1 2019.



31% of Enterprises are in the Business, Professional & Financial Services Sector



The Midlands Engine most populated sector by number of employees at 841,860 is the Business, Professional and Financial Services sector in 2018



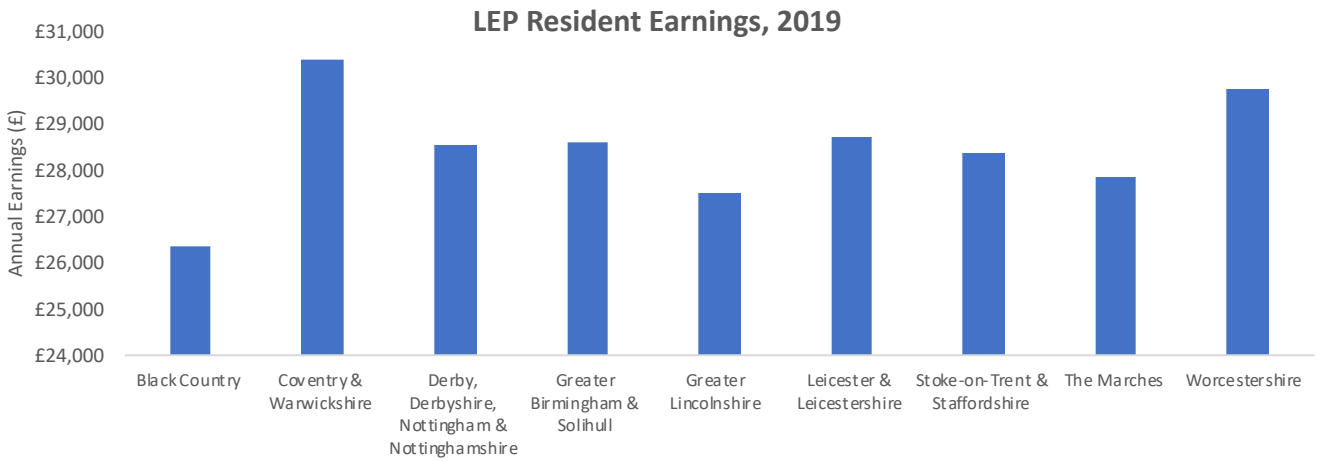
4,399,000 jobs across the Midlands Engine in 2018, down 9,000 since 2017.



Unless otherwise stated, the data for the Midlands Engine area relates to the 64 LA's contained across the 9 LEPs.

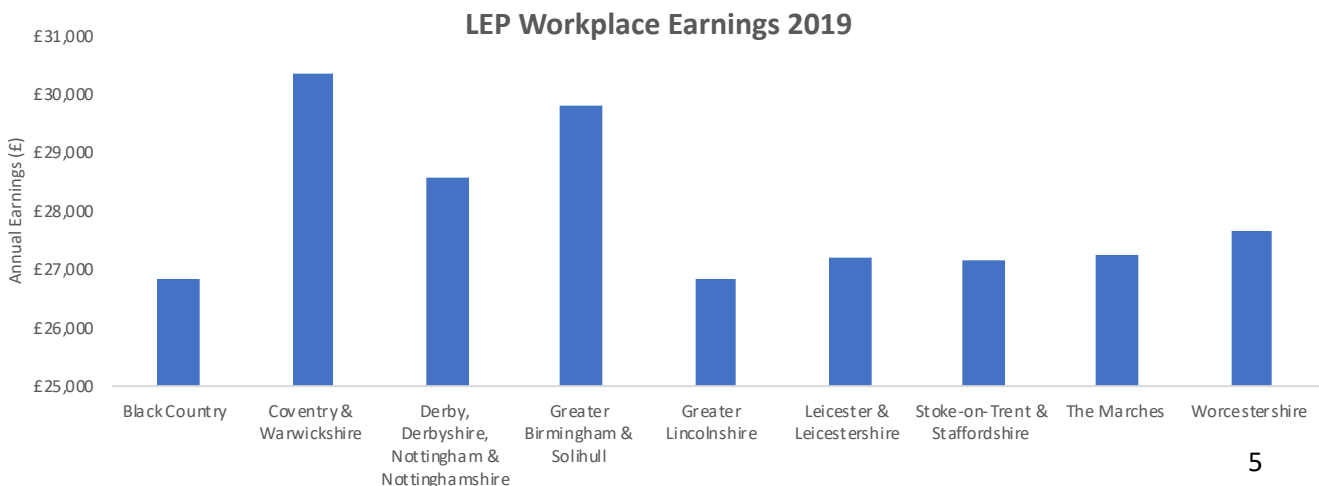
Resident Based:

- The average full-time annual earnings for Midlands Engine residents increased by 2.2% (+£621) from April 2018 to reach £28,765 in April 2019, over the same period the UK increased by 2.7% (+£794). The average Midlands Engine resident earns £1,588 less than the UK average of £30,353.
- Since 2004 the average resident earnings has increased by 36.2% (+£7,647) across the Midlands Engine, slightly behind the UK growth of 37.6% (+£8,297).
- Across the Midlands Engine LEPs, the largest increase in resident earnings from April 2018 was in the Worcestershire LEP with 6.7% (+£1,856) to reach £29,734. While the smallest increase was in Coventry and Warwickshire LEP at 0.8% (+£234), although Coventry and Warwickshire LEP had the highest average earnings out of all the LEPs and above the UK average.



Workplace Based:

- The average full-time workplace earnings across the Midlands Engine was £27,397 in April 2019, up 2.6% (+£702) since April 2018. The Midlands Engine workplace earnings are £1,368 less than resident earnings.
- The average workplace earnings in the Midlands Engine is £2,956 lower than the UK average (£30,353). Since 2004 the average workplace earnings has increased by 34.4% across the Midlands Engine. The gap between the UK average was smaller in 2004 (£1,667).
- Within the Midlands Engine LEPs, Worcestershire LEP increased by 6.6% (+£1,715) to £27,625, while Coventry and Warwickshire LEP increased by 0.3% (+£87) to £30,358.



Regional Gross Domestic Product



- In Quarter 4 2018 (October – December) Gross Domestic Product (GDP) in the East Midlands region grew by 0.3% and the West Midlands region grew by 0.6%. Over the same period the UK had positive growth of 0.3%.
- In Quarter 1 2019 (January to March) GDP declined by 0.2% across the East Midlands, but grew by 0.5% in the West Midlands, compared to a 0.6% increase across the UK.
- When comparing Quarter 1 2018 to Quarter 1 2019, GDP across the East Midlands grew by 2.0%, and across the West Midlands GDP grew by 2.3%. The UK GDP grew by 2.2% over the same period.
- GDP in the agriculture sector decreased in both the East Midlands (-0.01pp¹) and West Midlands (-0.04pp) in Quarter 1 2019.
- GDP in the production sector decreased by -0.40pp and -0.36pp in the East and West Midlands respectively in Quarter 1 2019.
- GDP in the construction sector in Quarter 1 2019 did not change in the East Midlands but increased by 0.28pp in the West Midlands.
- GDP in the services sector in Quarter 1 2019 increased by 0.23pp in the East Midlands and increased by 0.54pp across the West Midlands.

Percentage Point Change in the East Midlands and West Midlands by Industry Section



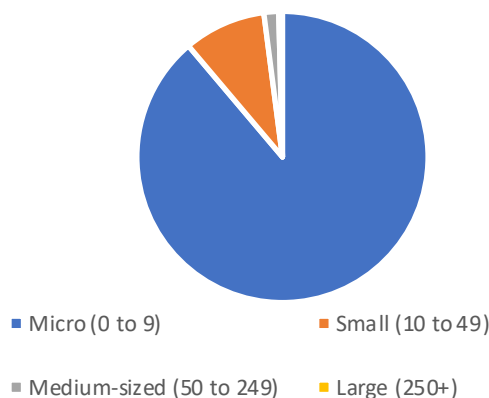
Enterprise Characteristics

- Snapshot data based on March 2019 shows there were 367,230 enterprises in the Midlands Engine area. This is an increase of 0.8% from March 2018, compared to a 1.8% increase for the UK.
- The business, professional and financial services sector accounts for 31.0% (113,955 enterprises) of the total business base, for the UK this sector accounts for 34.0% of the total. The second highest sector in the Midlands Engine was retail with 16.1% (59,105 enterprises) compared to 14.3% for the UK.
- Life sciences and healthcare was the only sector which saw a decrease in the number of enterprises with -8.6% (- 1,395) since 2017, this matches the UK trend where enterprises decreased by 5.9%. The life sciences and healthcare sector accounts for 4.0% of the business base in the Midlands Engine and 4.1% for the UK.
- The logistics & transport technologies sector saw the highest percentage increase at 2.9% (+605 enterprises) within the Midlands Engine, the UK increased by 2.2% since 2017.

Sector	2019 Enterprises	% of Midlands Engine Total	% of UK Total
Low Carbon & Environmental Technologies	24,300	6.6%	6.0%
Digital & Creative	20,875	5.7%	8.3%
Logistics & Transport Technologies	21,815	5.9%	4.1%
Construction (Building Technologies)	51,245	14.0%	14.2%
Cultural Economy Inc. Sports	28,020	7.6%	8.3%
Advanced Manufacturing & Engineering	25,310	6.9%	5.1%
Public Sector Inc. Education	7,770	2.1%	1.9%
Life Sciences & Healthcare	14,835	4.0%	3.8%
Retail	59,105	16.1%	14.3%
Business, Professional & Financial Services	113,955	31.0%	34.0%
Total	367,230		

- 88.8% (326,215) of enterprises across the Midlands Engine are micro (employing between 0-9 people), which is below the UK average of 89.5%.
- 9.1% (33,520) are small (with 10-49 employees) which is above the UK average of 8.6%.
- 1.6% (6,010) are medium sized (with 50-249 employees), above the UK average of 1.5%.
- 0.4% are large (over 250 employees), which matches the UK average of 0.4%.

Midlands Engine Businesses by Size



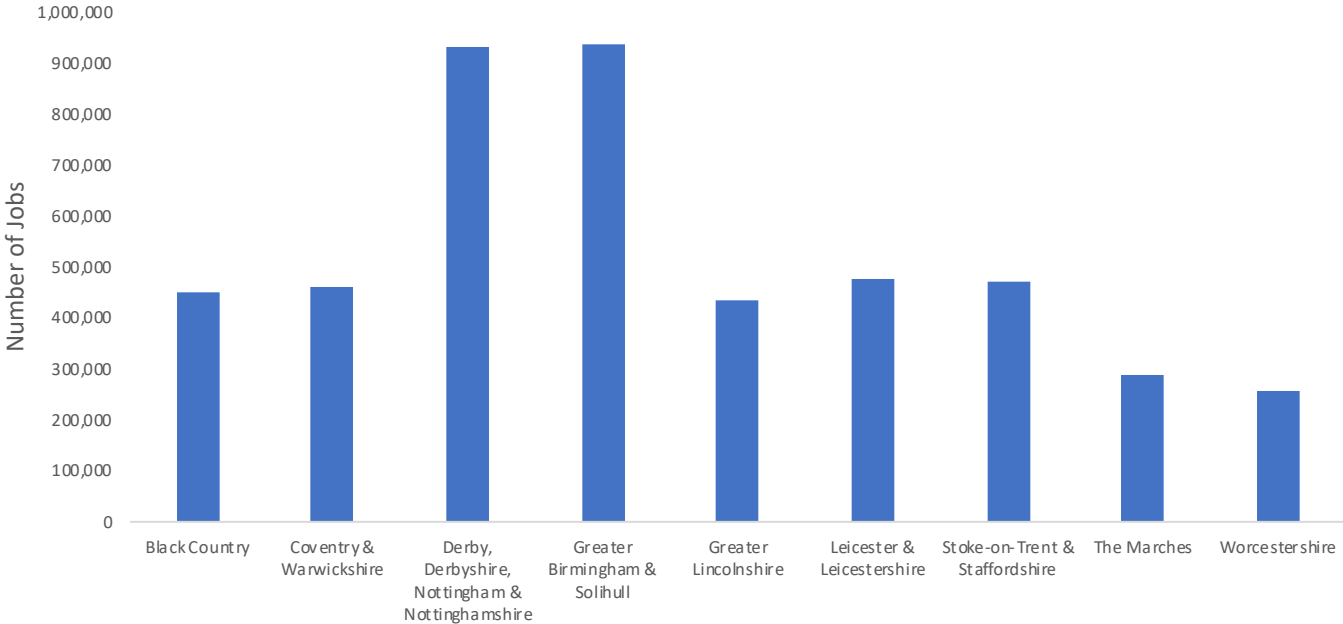
Source: ONS - UK Business Count, 2019

Please note, UK Business Counts is used to provide a breakdown of enterprise characteristics which is currently unavailable from the Business Demography dataset. UK Business Counts is a snapshot of the Business Demography dataset from March 2019 and will not cover all the total number of enterprises.

Total Jobs

- There are a total of 4,399,000 jobs across the Midlands Engine area in 2018, a decrease on 2017 by 9,000 jobs (-0.2%), compared to an increase of 0.6% across England.
- Derby, Derbyshire, Nottingham and Nottinghamshire LEP increased by 1.2% (+11,000 employees) since 2017 to 930,000 jobs in 2018, this was followed by a 0.7% increase (+3,000 employees) to 461,000 jobs in Coventry and Warwickshire LEP. Stoke-on-Trent and Stafford increased by 0.6% (+3,000 employees) to 471,000 jobs.
- Six of the nine LEPs experienced a decrease in the total number of jobs since 2017. Worcestershire LEP saw the largest percentage decrease in jobs at -3.8% which equates to a loss of 10,000 jobs, whereas the Black Country saw the largest decrease in the number of jobs at -12,000 (-2.6%).
- Within the Midlands Engine LEPs in 2018, the highest number of jobs were in the Greater Birmingham and Solihull LEP with 935,000, closely followed by Derby, Derbyshire, Nottingham & Nottinghamshire LEP at 930,000 jobs.

Total Jobs by LEP, 2018



Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Midlands Engine % change	0.0%	-0.5%	0.7%	0.4%	2.6%	2.8%	2.0%	1.3%	-0.2%
England % change	0.1%	-0.1%	0.8%	1.3%	3.1%	3.1%	1.7%	1.4%	0.6%

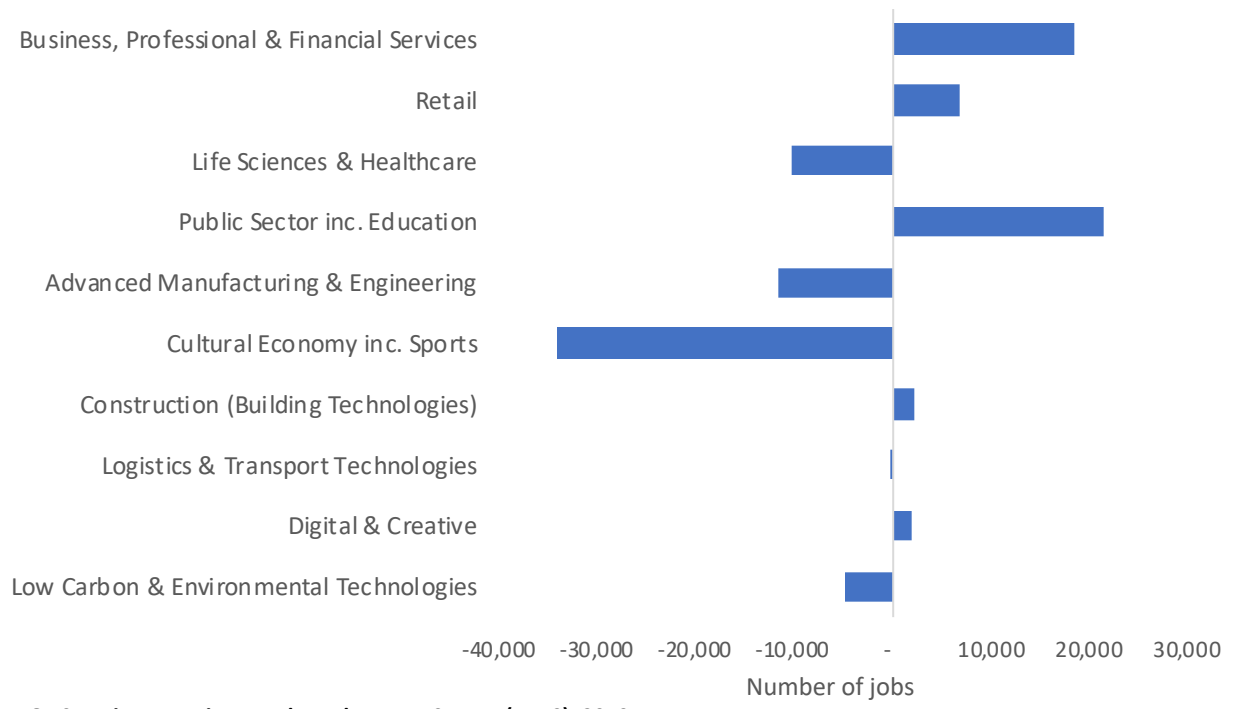
- Since 2009, the Midlands Engine has seen a change in jobs at a faster rate than the England average only in one year (2015-2016).
- Since 2004 there have been an additional 377,000 jobs in the Midlands Engine (+9.4%), while nationally there has been an increase of 12.6%.

Total Jobs by Sector

- The business, professional & financial services sector employs the largest proportion of Midlands Engine employees at 19.2% (841,860) of the total, compared to 22.9% nationally. The second highest sector is retail which employs 16.4% of employees, compared to 15.3% nationally.
- The low carbon & environmental technologies sector employs the smallest share of employees, at just 2.4% (105,405), compared to 1.8% nationally. This is closely followed by the digital & creative sector at 2.7%, while nationally this sector accounts for 4.4%.
- Since 2017, the Public sector Inc. education had the highest increase in both real terms and percentage wise at an additional 21,450 jobs (+3.9%), closely followed by business, professional & financial services at 18,555 (+2.3%). Since 2017 education (SIC 85) has increased by 28,000, and the public sector (SIC 84) has decreased its jobs by 4,000
- In contrast, the sector which saw the largest decrease for jobs in both real terms and percentage wise was the cultural economy Inc. sports which saw a 34,370 decrease (-8.5%).

Sector	2018 Jobs	% of Midlands Engine Total	% of Eng. Total
Low Carbon & Environmental Technologies	105,405	2.4%	1.8%
Digital & Creative	120,110	2.7%	4.4%
Logistics & Transport Technologies	234,455	5.3%	4.9%
Construction (Building Technologies)	279,020	6.4%	7.1%
Cultural Economy Inc. Sports	368,150	8.4%	9.9%
Advanced Manufacturing & Engineering	553,055	12.6%	8.0%
Public Sector Inc. Education	575,950	13.1%	12.9%
Life Sciences & Healthcare	593,000	13.5%	12.7%
Retail	718,375	16.4%	15.3%
Business, Professional & Financial Services	841,860	19.2%	22.9%
Total	4,399,000		

Change in Jobs between 2017-2018 across the Midlands Engine



Source: ONS Business Register and Employment Survey (BRES), 2019

Indicator List

Theme	Indicator	Source
Economic Growth	GVA per employee	ONS, Nominal and real regional gross value added (balanced) by industry and Business Register and Employment Survey
	Unemployment rate	ONS, Annual Population Survey
	Household Income	ONS, Small area income estimates for middle layer super output areas, or Households below average income - regional (data is based on a weekly figure)
	Total Gross Disposable Household Income and per person	ONS, Regional gross disposable household income
	Average Annual Earnings - Workplace and Residential Based	ONS, Annual Survey of Hours and Earnings
	Total GVA	ONS, Nominal and real regional gross value added (balanced) by industry
	GVA per head	ONS, Nominal and real regional gross value added (balanced) by industry
	GVA by Sector	ONS, Nominal and real regional gross value added (balanced) by industry
	GVA per hour	ONS, Sub regional Productivity
	Total Jobs	ONS, Business Register and Employment Survey
	Jobs by Sector	ONS, Business Register and Employment Survey
	Mid-year population estimates	ONS, Mid-year population estimates
	Life Expectancy	ONS: Life expectancy at birth and at age 65 years by local areas
	Employment rate	ONS, Annual Population Survey
	School readiness	Department for Education
	Progress 8 score	Department for Education
	Number of Apprenticeships	Department for Education
	Percentage of NEETs (16-17 years old)	Department for Education
	Qualification levels of the working age population	ONS, Annual Population Survey
	Graduation Retention	ONS, Annual Population Survey
Total Dwelling Stock	HESA, The geographical mobility of students	
House Price to Income Ratio	ONS, Housing affordability	
Visitor Numbers	Visit Britain: Great Britain Tourism Survey and Great Britain Day Visits Survey	
Midlands Connect	£ Investment in Midlands transport	HMT, Public Expenditure Statistical Analysis
	Journey times on strategic road networks	TBC
	Delays on strategic road networks	TBC
	Rail speeds between core centres	TBC
	Rail capacity, seat availability	TBC
Internationalisation	£ value of Midlands FDI projects	Department of International Trade
	£ value of Midlands Exports	HMRC - Regional or RTS disaggregated by smaller geographical areas
Smart Midlands	Full fibre percentage coverage	Ofcom, Connected nations
	5g percentage coverage	Ofcom, connected nations
	Combined energy production	TBC
	Jobs in energy sector	ONS, Business Register and Employment Survey - selected 2 digits sic codes
Innovation and Enterprise	Midlands HE research expenditure	Smart Specialisation Hub
	Midlands total R & D expenditure	ONS, Business enterprises research & development
	Midlands business finance accessed	TBC
	Enterprise births	ONS, Business Demography
	Enterprise stock	ONS, Business Demography
	Enterprises by sector	ONS, UK Business Counts
	Business Innovation	ERC

Midlands Engine Observatory

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In partnership with:



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