MIDLANDS ENGINE

OBSERVATORY

MIDLANDS ENGINE

REGIONAL ECONOMIC IMPACT MONITOR

EDITION 31: OCTOBER 2022

Executive Summary

The October 2022 edition of the Midlands Engine Regional Economic Monitor comes shortly after the UK announced its third Prime Minister in 2 months. Midlands businesses and communities are calling for Rishi Sunak to **restore fiscal credibility, economic stability and deliver support within the cost-of-living and cost-of-doing business crisis.** Areas of priority for the Midlands include a longer-term package of **support measures on energy bills**, and fully costed proposals to deal with **labour shortages, spiralling inflation, and climbing interest rates** as part of a long-term economic plan for growth and levelling-up.

Aside from highlighting the economic challenges and hardship faced by many in the Midlands, a key focus in this month's Monitor relates to interesting **trends in the labour market** – reflective of major recent data releases such as:

- Unemployment nationally is at its lowest point since 1974. **The Midlands Engine unemployment rate was 3.7% for the year ending June 2022, below the national average (3.9%)** with a greater rate of decrease in the last year.
- The number of claimants continues to fall month-on-month. There were 267,350 claimants aged 16 years and over in the Midlands Engine area in September 2022, a **decrease of 2,435 claimants (-0.9%, matching UK) since the previous month.**
- **Jobs in the economy increased in 52 of 65 Midlands Engine local authorities** between 2020 and 2021. Overall, in the Midlands Engine there were 4.5m jobs in 2021, an increase of 2.5% (+111,000) since 2020.

- Out of the sectors that have increased, **healthcare & life sciences increased the most in real terms at 44,500** (+7.8% to 645,550). In **percentage terms, creative, design & digital increased the most, by 16.4%.**

- Analysis suggests there is a **high degree of synergy** across the Midlands Engine between the roles in highest demand and the roles that people are interested in applying for.

Despite these relative improvements, there remain stark issues in the labour market, not least related to **rising economic inactivity levels (particularly due to long-term sickness and looking after family / home), falling vacancies, an uptick in youth claimants**, and contrasting fortunes across sectors – for example MakeUK have highlighted the grave **need to reverse job losses and close skills gaps in manufacturing**.

Furthermore, skills and labour market challenges, whilst important, are only the tip of the iceberg for businesses and local economies when it comes to current economic challenges. Driven by **continued cost inflation, market turmoil and political instability**, the region – like elsewhere in the UK but often disproportionately – **continues to suffer:**

- A major poll via the TUC found that **parts of the Midlands Engine are among the worse affected by the cost-of-living crisis**, with higher rates of households missing meals, cutting back on food spending and missing bills; particularly **concentrated in urban areas like Birmingham, the Black Country, Nottingham, Derby and Stoke.**
- **Consumer confidence is at historically low levels** according to Deloitte, **while the FSB track small business pessimism as at its worst outside lockdowns**: a net confidence score of -35.9 in Q3 2022, down 11.2 points compared to the previous quarter.
- Business owners in the Midlands had seen an **increase in two-thirds of their bills and essential business expenses in the past 12 months** even before the latest energy bill rises.
- Both the West **Midlands and East Midlands Business Activity Indices remain below 50** (the figure that indicators growth) in the latest regional PMI report.
- Figures from trade body R3 show that the Midlands is home to the **largest number of companies with late payments outside Greater London**, while EY report that the number of profit warnings issued to listed companies in the Midlands increased during Q3 2022.

Business and community leaders in the region have stressed that the Government must keep a variety of options on the table to **ensure Midlands businesses and households are supported through the crisis**. A part of this is continuing to provide more stability and calm to markets, helping **reduce interest rates and inflationary pressures.**

Sectors and clusters of strength will help **drive all parts of the Midlands Engine forward through and beyond the present difficulties.** The scale and potential of some of these is identified in Section 5 of this Monitor, with more detail to be revealed in the upcoming release of the **Midlands Engine Investment Clusters project (by end of 2022).**

- **Technology:** a fast-growing tech hub underpinned by unicorn companies, tech talent and top universities.
- **Food & Drink Chain:** a developed ecosystem that is at the heart of UK production, distribution and retailing.
- **Nuclear:** an emerging cluster, empowered by award of West Burton nuclear fusion plant and SMR's at Rolls-Royce.

In addition, the October Monitor also summarises the key trends of other recent data releases (including **international trade and disposable household income)**, while explores the **impact on places** through recently published research in two areas: **1) 'From Pandemic to Endemic': looking at responses to the Covid-19 pandemic**; and **2) 'Town Vitality': looking into what policy focus is needed to unlock the potential of towns across the UK.**

1. Economic Impacts

Policy Considerations

THEME	KEY INSIGHTS
Outlook	• Leading business representative organisations, including the CBI, FSB and the Chambers of Commerce have called for **certainty and stability from the new Prime Minister** to restore business confidence in the UK. They are calling for Rishi Sunak to **restore fiscal credibility, stabilise the economy and deliver much needed support for businesses**. • Areas of priority for the Midlands include a l**onger-term package of support measures on energy bills**, and fully costed proposals to deal with **labour shortages, spiralling inflation, and climbing interest rates** as part of a long-term economic plan for growth and levelling-up. • The calls from business come after a tumultuous period following September's "mini-budget" announcements, with the **results worsening the already declining business confidence.** • Reflective of the period before Liz Truss resigned, **consumer confidence is at historically low levels** according to Deloitte, **while the FSB track small business pessimism as at its worst outside lockdowns**: a net confidence score of -35.9 in Q3 2022, down 11.2 points compared to the previous quarter. • The current environment is **increasing the vulnerability of many businesses**, not least through reduced liquidity. Figures from restructuring trade body R3 show that the **Midlands is home to the largest number of companies with late payments outside Greater London**, while EY report that the num**ber of profit warnings issued to listed companies in the Midlands increased during Q3 2022**. In total, 86 profit warnings were issued nationally between July and September 2022, compared to 51 in the same period of 2021. • Challenging economic conditions are causing businesses across all sectors to become more concerned over their future survival. This is impacting every step of supply chains, while putting firms in a **difficult position deciding between substantially raising prices for customers or absorbing costs.** • Although corporate insolvencies fell across the UK between August and September, reflected in a fall in Midlands Engine business deaths between Q2 and Q3, this is **unlikely to be a true reflection of the financial health of local businesses.**
Trading Environment	• In particular, Midlands businesses are continuing to sound the alarm over **skyrocketing bills and overheads.** Concerns shared by businesses continue to be focused on the **rising cost of energy, but wage inflation and cost inflation also key contributors too.** • Business leaders in the region have stressed that the Government must keep a variety of options on the table to **ensure businesses from all sectors are supported through the crisis.** • Business leaders have expressed concern that the **cost of borrowing has been impacting their plans for growth,** while clearly the original mini-budget policies that "spooked the stock market" are not conducive to a stable business and economic environment; exaggerating issues continuing from high inflation. • While a survey commissioned by BusinessRescueExpert found **economic conditions were worsening for businesses across the region and in every industrial sector.** - Business owners in the Midlands had seen an **increase in two-thirds of their bills and essential business expenses** in the past 12 months even before the latest energy bill rises. - **Electricity and gas bills had risen for 84.2 per cent of firms**, fuel and transport costs for 81.5 per cent, staff pay for 71 per cent and rents for 60.5 per cent . • While some companies are benefitting from the export benefits of a weak pound, **Midlands international trade is still lagging behind other UK regions and hasn't recovered to pre-Covid or pre-Brexit levels yet.** In addition, there have been reports from businesses, particularly in manufacturing, that the **UK is no longer seen as a strong investment location** – making it hard for foreign-owned firms in the UK to convince their foreign owners to further invest.
Labour Market	• In its Employment Trends Survey with Pertemps Network Group, the **CBI reports that shortages in the labour market are having a material impact on firms' ability to operate at capacity, let alone grow.** • Three-quarters of respondent businesses have been impacted by labour shortages over the last year and a **majority now believe the issue is a threat to labour market competitiveness.** • This corroborates with FSB's call for action on the labour market, **as job vacancies driven by long-term sickness hit a record high.**

Global and National Outlook

Global

China's leader Xi Jinping has begun a historic third term in power; **no other party leader besides the Chinese Communist Party founder Mao Zedong has ever served a third term.** Jinping was enabled to serve a third term following more than 2,300 delegates electing various leadership groups and giving Jinping a new mandate over the party. Jinping has since stacked his team with loyalists. Experts have stated that this shows he values loyalty over expertise and experience.

Russia has continued its targeted attack on Ukrainian energy supplies since last Monday, with **an estimated 1.5m households now without electricity. Almost a third of Ukraine's power stations and other energy-generating facilities have been destroyed in the attacks.** Russia's strategy is to destroy critical infrastructure before winter, **weakening Ukraine's capacity to fight and lowering morale amongst the Ukrainian population** which is facing a very cold winter.

Ipsos has run a survey amongst 20,000 people across 29 countries to gauge what the public believes are the most pressing social and political issues. It found that **4 in 10 surveyed thought inflation was the most significant issue impacting their country**, making it the 6th month in a row that this had been the most prominent issue for most people. Worry levels having also doubled since the beginning of 2022, when 20% cited it as a significant issue. 67% of people surveyed thought their country's economy was in a poor economic situation.

Many governments are implementing measures to reduce inflationary pressures, alongside policies to tackle other issues. However, the Ipsos survey shows that many respondents are not convinced that their governments are taking the correct approach. Overall **only 36% of respondents believe their country is heading in the right direction when it comes to solving major issues of concern.** Saudi Arabia (95%) and Indonesia (81%) have the most positive populations. **The UK and France have seen the greatest declines in the number of people who believe their country is heading towards better times, both down by nine percentage points.**

National

The UK has its 3rd government within a year, following the resignation of Prime Minister Liz Truss. Rishi Sunak is now Prime Minister. According to many foreign newspapers, **the reputation of the UK as stable nation has been destroyed.**

Following the 'mini-budget' there was an estimated up to £72bn black hole in public finances. When Jeremy Hunt became Chancellor, he decided to scrap a number of expensive policies within the 'mini-budget' in an effort to reduce the deficit. The reversals and changes announced have reduced the shortfall to around £39.7bn, but there will likely be austerity (spending cuts) introduced in the future. The IFS forecasts that to help close the funding gap from the 'mini budget' the **government would have to reduce day-to-day spending on public services (outside of the NHS and defence) by 15%.**

The University of Glasgow has found that austerity led to twice as many excess deaths as had been previously thought. Cuts to public services and living standards across Britain from 2010 to 2019 contributed to 335,000 excess deaths. There were overall falls in UK life expectancy between 2014 and 2018.

Between, 2010/11 and 2020/21 **councils have faced dramatic decreases in their spending power.** Government funded spending power across England **fell -52.3%.** Given that this was the largest funding stream for local authorities, it had a large impact on their spending power.

Royal Mail has announced plans to make up to 6,000 people redundant by next August, **blaming ongoing strike action and rising losses at the business.** Royal Mail has said it plans to reduce its overall headcount by 10,000. 6,000 job losses will be through redundancies, whilst an additional 4,000 will be through natural attrition. The announcement comes following Communication Workers Union (CWU) beginning a fresh round of strikes over pay and conditions, which includes 19 days of industrial action, **including Black Friday**. This year **the Royal Mail expects to hit £350m in losses**, forecasting that this could reach as high as £450m if deliveries continue to reduce and industrial action continues.

Cornwall Insight forecasts that by April 2023, the average price for gas could rise to 30.8p per/kwh in April and 91.8p per/kwh for electricity. Taking this as the high case, **this would raise the England average annual household energy bill to £6,628. This would be a 166% increase in energy bills compared to under the cap, and a 482% increase on the £1,138 price cap in April 2021.**

Only 4% of households in the UK have renewable energy installed. Studies show that **several barriers, such as high costs, lack of public acceptance and limited knowledge and experience relating to the technology,** are hindering the adoption of low-carbon technology.

Source: City-REDI University of Birmingham

Business Activity

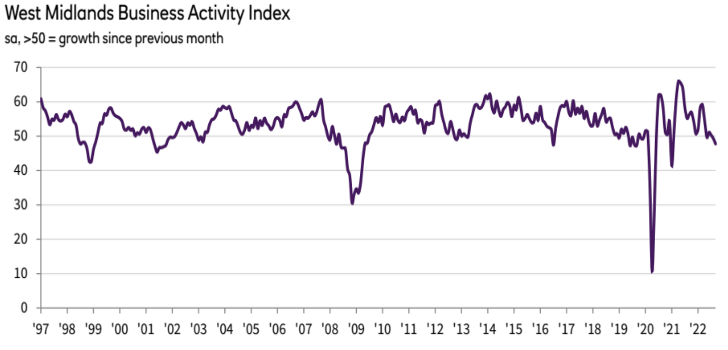
Business Activity Index

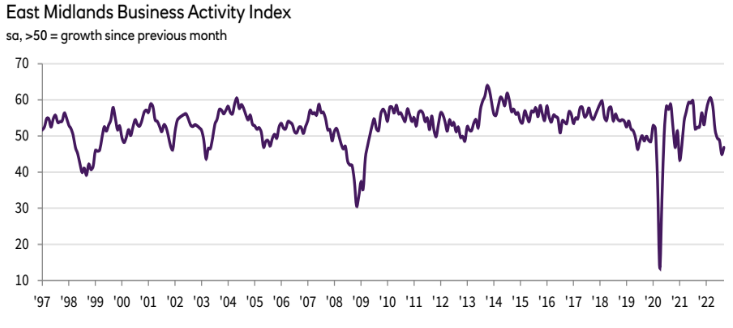
The **West Midlands Business Activity Index decreased from 49.3 in August 2022 to 47.8 in September 2022**, the second month in a row to register a decline (below the 50-growth mark). Output has fallen at its quickest pace since January 2021.

The **East Midlands Business Activity Index increased from 45.0 in August 2022 to 46.8 in September 2022.** Despite the increase, business activity still remains below the 50-growth mark for the fourth consecutive month. Firms indicated that the decrease in business activity was linked to the impact of inflation and hikes in energy costs on customer spending.

The UK Business Activity Index decreased from 49.6 in August 2022 to 49.1 in September 2022.

The West Midlands and East Midlands Business Activity Index Trends:





Source: NatWest PMI, October 2022

Of the 12 regions, the West Midlands and the East Midlands was sixth highest and third lowest respectively for the Business Activity Index in September 2022.

Demand

The **West Midlands New Business Index decreased from 48.5 in August 2022 to 46.0 in September 2022.** The decline was linked to rising energy costs, acute price pressures and troubles in financial markets. **The East Midlands New Business Index increased from 43.5 in August 2022 to 45.1 in September 2022.** The decrease in was linked to the impact of living crisis on customer spending and relatively weak client confidence.

Exports

The **West Midlands Export Climate Index increased from 48.5 in August 2022 to 49.0 in September 2022**, although, the second successive month to stay below the 50-growth mark. The **East Midlands Export Climate Index increased from 50.0 in August 2022 to 50.2 in September 2022**, a stagnation in the export climate.

Business Capacity

The **West Midlands Employment Index decreased from 53.5 in August 2022 to 53.4 in September 2022**– but still an 19 month increase for job creation. The **East Midlands Employment Index increased from 54.9 in August 2022 to 55.2 in September 2022.**

The **West Midlands Outstanding Business Index decreased from 47.3 in August 2022 to 46.5 in September 2022.** The **East Midlands Outstanding Business Index increased from 49.0 in August 2022 to 51.0 in September 2022**, a renewed increase in backlogs of work. The higher levels of work-in-hand were due to material shortages.

Prices

The **West Midlands Input Prices Index increased from 72.1 in August 2022 to 74.9 in September 2022**. The **East Midlands Input Prices Index increased from 76.8 in August 2022 to 77.8 in September 2022.**

The **West Midlands Prices Charged Index decreased from 66.0 in August 2022 to 65.2 in September 2022.** The **East Midlands Prices Charged Index decreased from 65.5 in August 2022 to 63.9 in September 2022.**.

Outlook

The **West Midlands Future Business Activity Index decreased from 67.8 in August 2022 to 64.4 in September 2022.** The decline in optimism can be linked to recession worries, acute inflationary pressures, competitive conditions, subdued demand and spending fears among households. The **East Midlands Future Activity Index increased from 59.6 in August 2022 to 61.9 in September 2022**. Firms were optimistic due to planned investment in new product lines and marketing. However, firms also reported confidence was stemmed due to ongoing concerns regarding inflation and pressure on customer disposable incomes.

Out of the twelve UK regions, the West Midlands and the East Midlands were third highest and sixth lowest respectively for the Future Business Activity Index in September 2022.

Source: NatWest PMI, October 2022. Located on the Midlands Engine Hub is an [Interactive Regional Business Activity Dashboard](#)

The Midlands Trade in Goods

In the year ending Q2 2022, the Midlands area exported £48.3bn worth of goods and imported £69.4bn – leading to a trade in goods deficit of £21.1bn.

- The West Midlands exported £26.5bn and imported £39.3bn – a trade in goods deficit of £13.6bn.
- The East Midlands exported £21.8bn and imported £30.1bn – a trade in goods deficit of £8.3bn.

Goods Exported

In the year ending Q2 2022, exports from the Midlands area were worth £48.3bn which has increased by £2.8bn (+6.0%) since the year ending Q2 2021. However, longer term trends show exports were over £7.2bn lower when compared to the year ending Q2 2019.

- The UK increased by a greater rate since the year ending Q2 2021, by 12.3% to £338.4bn.
- **The West Midlands region exports in goods increased by £321m (+1.2%)** since the year ending Q2 2021 to £26.5bn in the year ending Q2 2022.
- **East Midlands goods exports increased by £2.4bn (+12.5%)** to £21.8bn in the year ending Q2 2022.

The Midlands area accounted for 19.9% of England's goods exports - above London and the South East.

Quarter-on-quarter (Q1 2022–Q2 2022) analysis shows total goods exports from the Midlands increased by £192m (+1.6%, UK +10.8%); the East Midlands increasing by £176m (+3.2%), whereas the West Midlands increased by 0.2% (+£16m).

- EU exports from the Midlands increased by £128m (+2.1%, UK +10.4%).
- Non-EU exports from the Midlands increased by £64m (+1.0%, UK +11.4%), due to the East Midlands increasing by £268m (+10.1%) – offset by the West Midlands decreasing by £204m (-5.6%).

Annual quarterly (Q2 2021 – Q2 2022) analysis shows total goods exports from the Midlands increased by £1.5bn (+13.3%, UK +18.9%); the East Midlands increased by £829m (+17.3%) and the West Midlands increased by £648m (+10.3%).

- EU exports from the Midlands increased by £648m (+11.6%, UK +24.2%); primarily due to the West Midlands increasing by £493m (+16.3%).
- Non-EU exports from the Midlands increased by £829m (+15.0%, UK +13.6%); primarily due to East Midlands increasing by £674m (+30.0%).

Goods Imported

In the year ending Q2 2022, imports to the Midlands area were worth £69.4bn which is an increase of £10.2bn (+17.3%) when compared to the year ending Q2 2021. UK-wide total imports increased by 25.0% to £553.6bn over the same period.

- The value of West Midlands region goods imports increased by £6.3bn (+19.2%) when compared to the year ending Q2 2021 to £36.6bn in the year ending Q1 2022.
- East Midlands imports increased by £3.9bn (+14.9%) since the year ending Q2 2021 to £30.1bn in the year ending Q2 2022.

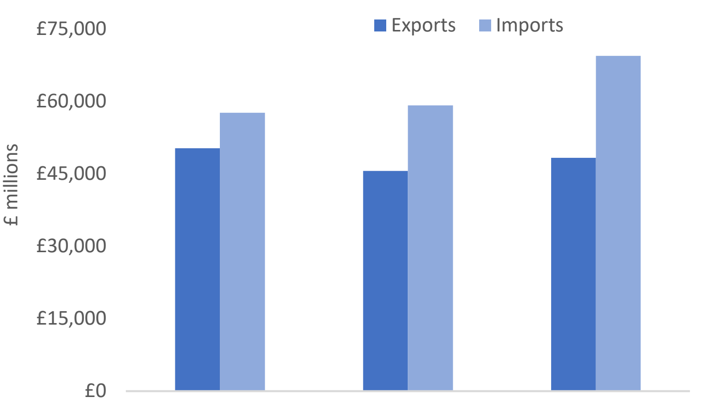
Quarter-on-quarter analysis shows **total goods imports to the Midlands increased by £160m** (+0.8%, UK +1.3%).

- EU exports to the Midlands increased by £175m (+1.6%, UK +7.0%).
- Non-EU imports to the Midlands decreased by £14m (-0.2%, UK -4.2%). This was driven by a decrease in Non-EU imports to the East Midlands - by £103m (-2.7%).

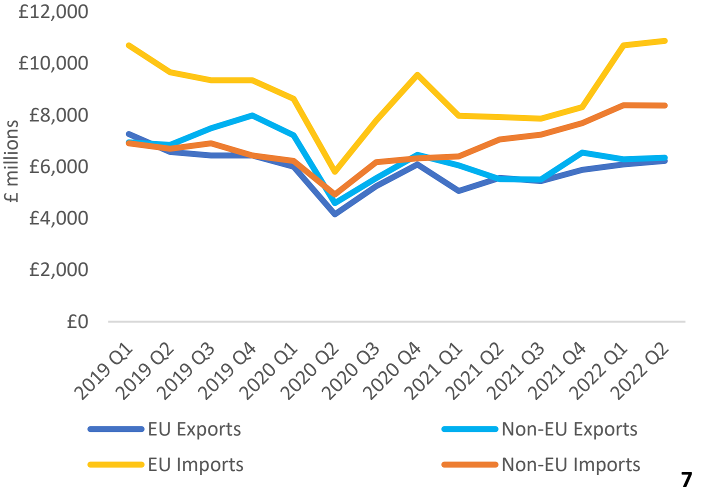
Annual Quarterly analysis shows **total goods imports to the Midlands increased by £4.3bn** (+28.4%, UK +39.7%).

- EU imports to the Midlands increased by £2.9bn (+37.2%, UK +49.9%).
- Non-EU imports to the Midlands increased by £1.3bn (+18.5%, UK +30.2%).

The Midlands Total Value of Goods Exported and Imported Trends:



The Midlands Value of Goods Exported and Imported Split by Quarter and EU/Non EU Trends:



The Midlands Trade in Goods

Standard International Trade Classification (SITC)

The **total value of goods exports in eight of the ten SITC sections increased** for the Midlands when compared to the year ending Q2 2021. The sections that declined were miscellaneous manufactures and other commodities not elsewhere specified (nes).

The largest SITC section for goods exports in the Midlands area was machinery and transport at £31.2bn – 64.5% of total; of which £17.5bn (56.2%) went to non-EU locations. However, **c**ompared to the year ending Q2 2021, overall, this SITC section increased by £1.1bn (+3.6%) primarily due to exports to the EU increasing by £952m (+7.5%).

10.9% (£5.1bn) of goods exported from the Midlands area came from manufactured goods, (of which 61.7% of the section total, or £3.3bn went to the EU).

The total value of imports in nine of the ten SITC sections increased for the Midlands when compared to the year ending Q2 2021. The SITC section that decreased was other commodities nes.

The largest SITC section that was imported to the Midlands area was machinery & transport at £30.4bn, which is 43.8% of total imports (of which £17.3bn (56.9%) of imports for this section was from the EU). This section overall has increased since the year ending Q2 2021 by £4.9bn (+19.2%). When split between EU and non-EU, there was an increase of £2.2bn from the EU and an increase of £2.7bn from non-EU countries.

18.0% (£12.5bn) of goods imported to the Midlands area were manufactured goods in the year ending Q2 2022. There has been a large increase in the import of mineral fuels in the last year (+244.5% or +£1.4bn), driven by non-EU markets.

Goods Exported and Imported by SITC Section:

	Midlands Region			UK		
	Year Ending Q2 2021	Year Ending Q2 2022		Year Ending Q2 2021	Year Ending Q2 2022	
Total Exports by SITC Section	£ Millions		% Change	£ Millions		% Change
0 Food and Live Animals	£1,606	£1,794	11.7%	£13,997	£14,545	3.9%
1 Beverages and Tobacco	£107	£108	0.9%	£6,889	£7,981	15.9%
2 Crude Materials	£1,399	£1,911	36.6%	£8,171	£10,316	26.3%
3 Mineral Fuels	£210	£359	71.0%	£20,783	£39,026	87.8%
4 Animal and Vegetable Oils	£73	£75	2.7%	£531	£700	31.8%
5 Chemicals	£3,043	£3,207	5.4%	£51,630	£56,829	10.1%
6 Manufactured Goods	£4,449	£5,269	18.4%	£35,673	£38,357	7.5%
7 Machinery and Transport	£30,085	£31,155	3.6%	£110,646	£115,490	4.4%
8 Miscellaneous Manufactures	£4,515	£4,437	-1.7%	£39,425	£39,651	0.6%
9 Other commodities nes	£82	£8	-90.2%	£13,539	£15,515	14.6%
Total Exports	**£45,568**	**£48,322**	**6.0%**	**£301,284**	**£338,411**	**12.3%**
Total Imports by SITC Section						
0 Food and Live Animals	£5,602	£6,025	7.6%	£38,999	£42,865	9.9%
1 Beverages and Tobacco	£475	£550	15.8%	£6,589	£7,341	11.4%
2 Crude Materials	£1,490	£1,815	21.8%	£13,622	£15,557	14.2%
3 Mineral Fuels	£571	£1,967	244.5%	£29,182	£87,134	198.6%
4 Animal and Vegetable Oils	£169	£214	26.6%	£1,509	£2,125	40.8%
5 Chemicals	£4,574	£5,502	20.3%	£56,355	£69,803	23.9%
6 Manufactured Goods	£10,554	£12,516	18.6%	£59,623	£66,156	11.0%
7 Machinery and Transport	£25,539	£30,430	19.2%	£157,025	£172,337	9.8%
8 Miscellaneous Manufactures	£10,198	£10,402	2.0%	£73,845	£77,818	5.4%
9 Other commodities nes	£25	£6	-76.0%	£6,296	£12,454	97.8%
Total Imports	**£59,198**	**£69,426**	**17.3%**	**£443,044**	**£553,588**	**25.0%**

Source: : HM Revenue & Customs, UK regional trade in goods statistics: second quarter 2022

The Midlands Trade in Goods

Country Group

The highest value of goods exports from the Midlands area was to the EU at £23.6bn, accounting for 48.9% of the total. The value of goods exports to the EU has increased by £1.7bn (+7.5%) from the year ending Q2 2021, lower than the UK-wide growth rate of 18.4%.

The second highest value of exports from the Midlands was to Asia & Oceania at nearly £9.7bn, which accounted for 20.0% of the total. This was an increase of £634m (+7.0%) when compared to the year ending Q2 2021.

There were two Country Groups where goods exports from the Midlands declined from the year ending Q2 2021, these were; Eastern Europe (excl. EU) by £89m (-10.0%) to £799m and North America by £36m (-0.4%) to £8.6bn. Whereas for these Country Groups imports to the Midlands increased by £204m (+45.2% to £655m) from the Eastern Europe and by £881m (+23.0% to £4.7bn) from North America.

Goods Imports from all Country Groups to the Midlands increased from the year ending Q2 2021.

The highest value of imports to the Midlands area was from the EU at £37.8bn, which accounted for 54.4% of the total. This was an increase of £4.5bn (+13.5%) when compared to the year ending Q2 2021, this was also the highest value increase across all Country Groups.

The second highest value of imports to the Midlands was from Asia & Oceania at £19.1bn, which accounted for 27.5% of the total. This was an increase of £2.5bn (+15.4%) when compared to the year ending Q2 2021.

Goods Exported and Imported by Country Group:

	Midlands Region			UK		
	Year Ending Q2 2021	Year Ending Q2 2022		Year Ending Q2 2021	Year Ending Q2 2022	
Exports by Country Group	£ Millions		% Change	£ Millions		% Change
Asia & Oceania	£9,023	£9,657	7.0%	£51,825	£54,603	5.4%
Eastern Europe (excl EU)	£888	£799	-10.0%	£5,381	£5,214	-3.1%
European Union	£21,978	£23,637	7.5%	£147,054	£174,177	18.4%
Latin America and Caribbean	£591	£716	21.2%	£4,182	£5,217	24.7%
Middle East and North Africa (excl EU)	£2,040	£2,420	18.6%	£13,862	£16,567	19.5%
North America	£8,597	£8,561	-0.4%	£49,549	£52,464	5.9%
Sub-Saharan Africa	£667	£737	10.5%	£4,771	£5,645	18.3%
Western Europe (excl. EU)	£1,782	£1,790	0.4%	£14,801	£14,619	-1.2%
Undefined Country Group	£3	£5	66.7%	£9,859	£9,907	0.5%
Total Exports	**£45,568**	**£48,322**	**6.0%**	**£301,284**	**£338,411**	**12.3%**
Imports by Country Group						
Asia & Oceania	£16,573	£19,120	15.4%	£111,127	£118,762	6.9%
Eastern Europe (excl EU)	£451	£655	45.2%	£8,332	£8,789	5.5%
European Union	£33,248	£37,751	13.5%	£226,895	£266,813	17.6%
Latin America and Caribbean	£928	£1,199	29.2%	£5,271	£8,093	53.5%
Middle East and North Africa (excl EU)	£1,122	£1,513	34.8%	£9,100	£20,584	126.2%
North America	£3,825	£4,706	23.0%	£38,438	£52,788	37.3%
Sub-Saharan Africa	£701	£890	27.0%	£7,478	£9,966	33.3%
Western Europe (excl. EU)	£2,349	£3,593	53.0%	£31,324	£61,899	97.6%
Undefined Country Group	-	-	-	£5,081	£5,896	16.0%
Total Imports	**£59,198**	**£69,426**	**17.3%**	**£443,044**	**£553,588**	**25.0%**

Source: : HM Revenue & Customs, UK regional trade in goods statistics: second quarter 2022

2. Labour Market Impacts

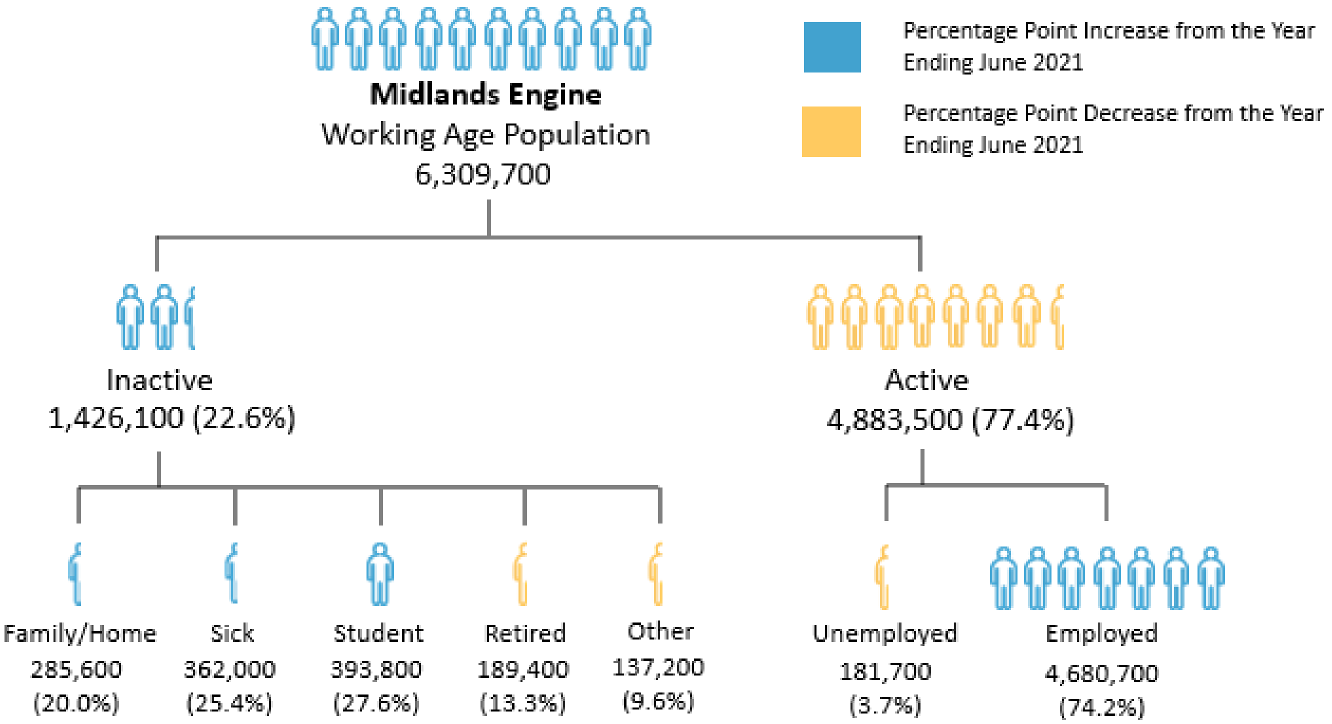
Labour Market

In terms of **the labour market** nationally, unemployment is still at the lowest level since 1974 and coupled with continued strong labour demand makes for the tightest labour market in living memory.

Headline labour market statistics for the Midlands Engine area:

- In the year ending June 2022, the **employment rate in the Midlands Engine area was 74.2%,** compared to 75.4% for the UK overall. When compared to the year ending June 2021, the Midlands Engine area has **increased by 0.6 percentage points (pp)**, and the UK has increased by 1.1pp.
- The **unemployment rate for the Midlands Engine was approximately 3.7%** compared to 3.9% for the UK in the year ending June 2022. For the Midlands Engine, this is a **decrease of approximately 1.7pp** compared to the UK decrease of 1.2pp since the year ending June 2021.
- The **economic activity rate for the Midlands Engine area was 77.4%** compared to 78.4% for the UK in the year ending June 2022. For the Midlands Engine area, **the economic activity rate has decreased by 0.5pp** since the year ending June 2021. The UK increased by 0.1pp in the same period.
- **For economic inactivity, the Midlands Engine rate was 22.6%** compared to 21.6% for the UK overall in the year ending June 2022. Since the year ending June 2021, for the Midlands Engine area, this has **increased by 0.5pp** while the UK decreased by 0.1pp.
    - Of the approximately **38,000 people increase in economic inactivity** for the Midlands Engine area since the year ending June 2021, **60% (22,800) were aged between 50-64 years old.** Broken down further show **economic inactivity males increased by approximately 23,000** while females decreased by 600.
    - Economic inactivity can be broken down further into reasons of inactivity. For the year ending June 2022, the Midlands Engine had a **higher percentage of people that were inactive when compared to the UK in the following categories;**
        - **student (27.6% vs 27.2%)**
        - **looking after the family/home (20.0% vs 19.6%)**

Labour Market Activity for the Midlands Engine in the year ending June 2022:



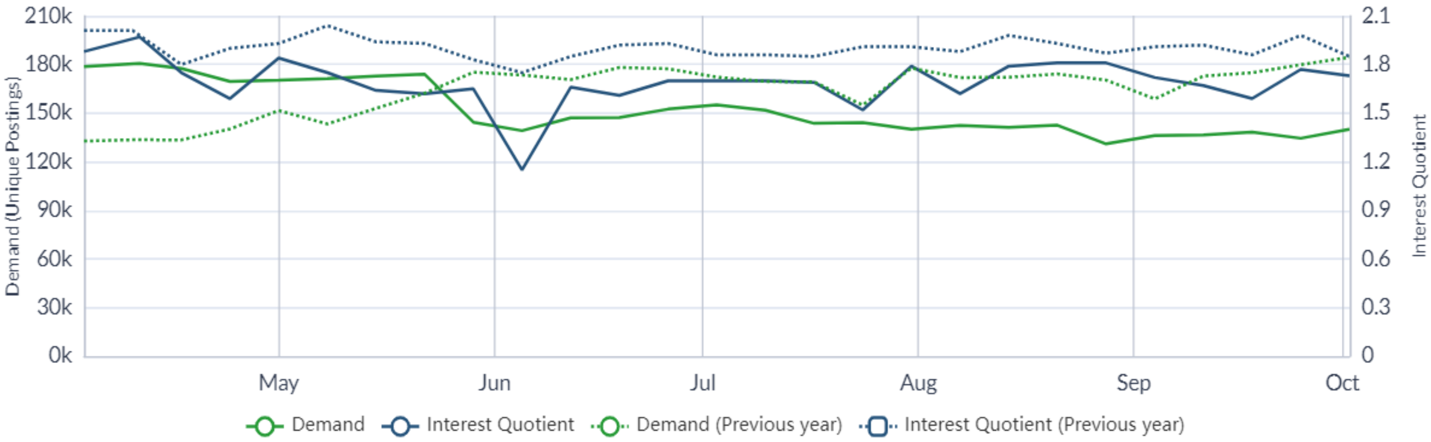
Figures will not sum due to rounding/data gaps
Source: ONS, Annual Population Survey, 2022
Located on the Midlands Engine Hub is an [Interactive Employment Activity Dashboard]

Labour Market and Job Postings

Despite over 1.2 million live vacancies nationally, last month's vacancy data suggests that there are some early signs that demand may be starting to weaken in the private sector, with vacancies falling slightly from their peaks across a number of industries.

Midlands Engine Job Postings:

- In the last six months across the Midlands Engine (April to October) there have been 1.4 million job postings. **This is -10.3% lower than the corresponding period in 2021 compared to -6.8% nationally.**
- Of the 1.4 million job postings, 784,961 were logged in the West Midlands (55%), whilst 637,612 were recorded in the East Midlands.
- Job postings in the West Midlands **dropped -10.8%** whilst the East Midlands fared slightly better at **-9.8%.**

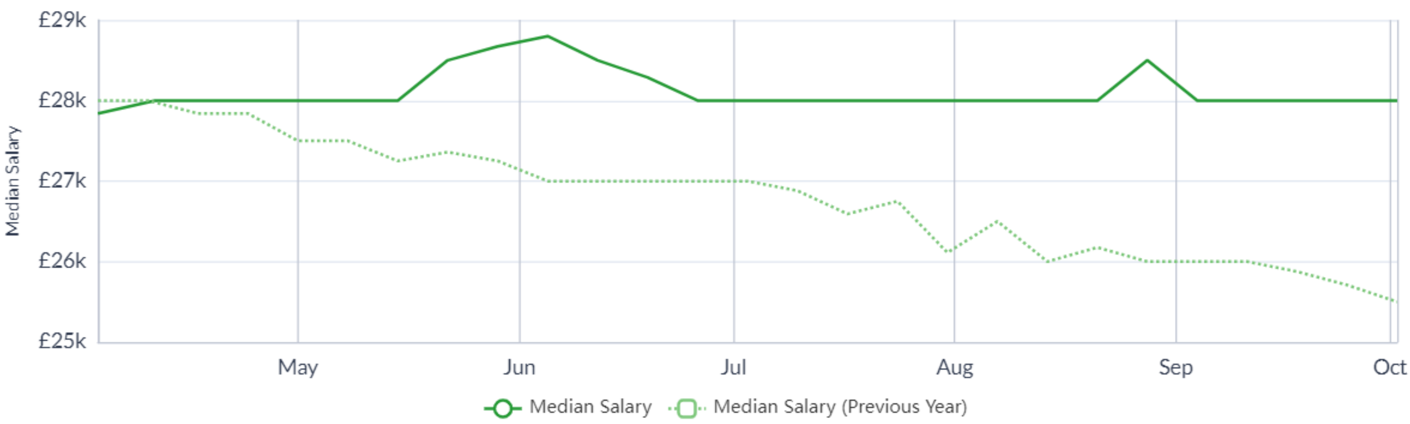


- Whilst the number of job postings have waned across the Midlands Engine area, the ***'Interest Quotient'* has remained heightened mirroring trends nationally**. *Interest Quotient is a metric that uses jobseeker data to quantify the level of jobseeker interest.* This is perhaps reflective of people continuing to look and prepared to leave current employment for slightly better paid work.

Salary Trends:

Pay growth nationally remains heightened, fuelled in-part by the sustained high number of vacancies compelling employers to offer larger salaries to try and recruit new staff in a competitive labour market.

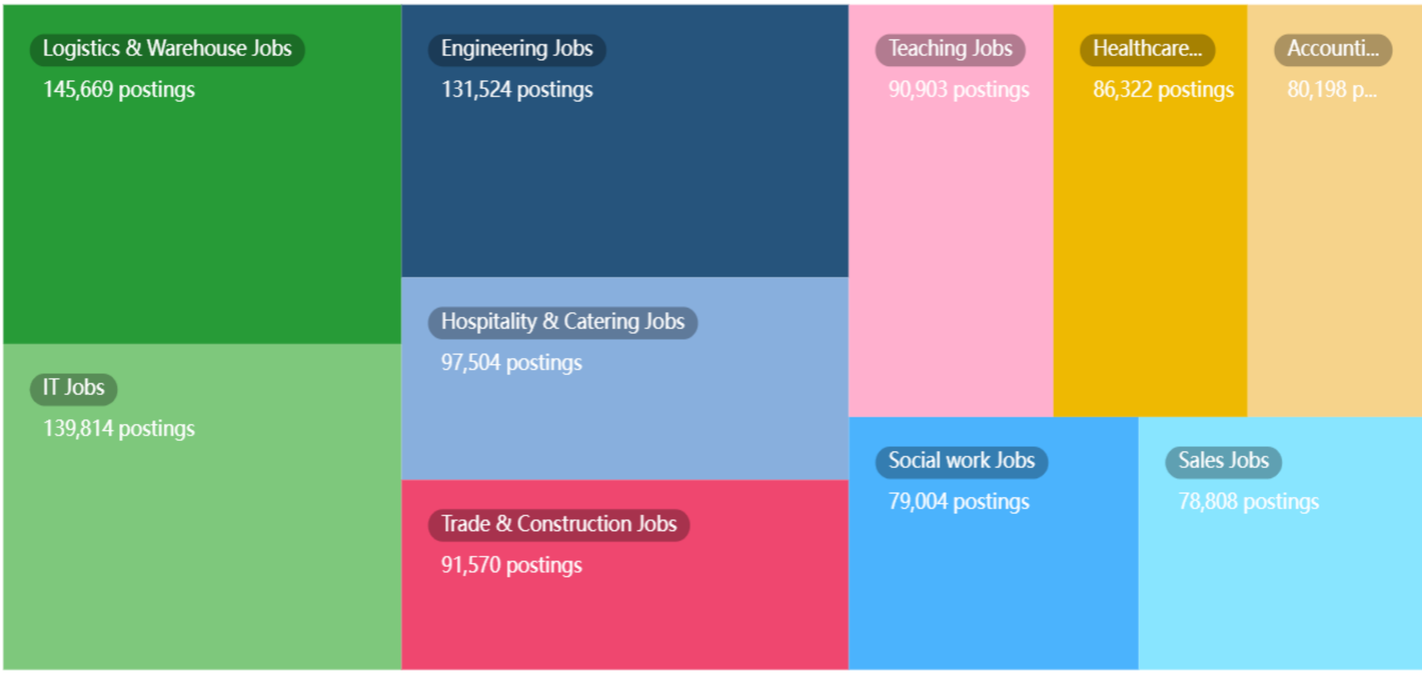
- **Advertised salary levels have increased by 4.1% across the Midlands Engine region** in the last six months compared to 3.4% nationally.
- Despite this, the median salary across the Midlands Engine remains **-6.9% lower at £28,000** compared to £30,000 nationally.



Source: Adzuna Limited Job Posting Intelligence, October 2022

Job Postings by Sector:

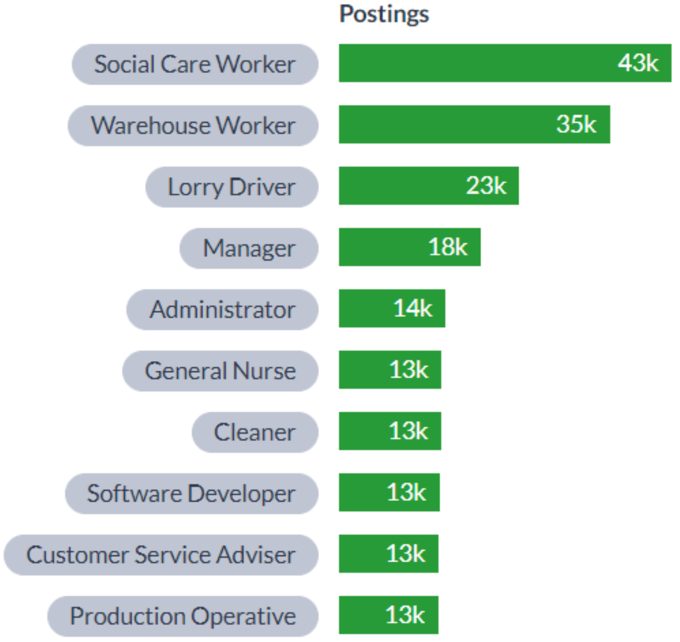
- Job postings demand was highest across the Midlands Engine for roles in Logistics and Warehousing, IT and Engineering.
- These three occupations accounted for almost **one-in-three (30%)** of all job postings in the last six months.



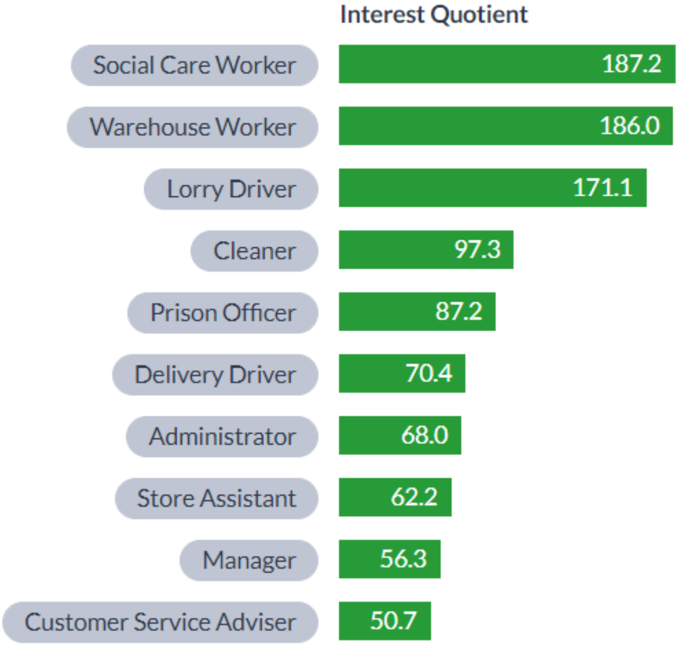
By comparing interest quotient and demand, we can identify where there are mismatches in talent/supply and demand.

- The two tables below show that there is currently a **high degree of synergy** across the Midlands Engine between the roles in highest demand and the roles that people are interested in applying for.

In-Demand Occupations:



Popular Occupations:



Interest quotient is a metric that uses jobseeker data to quantify the level of jobseeker interest in roles for specific occupations. This metric provides a proxy for talent supply to complement market demand data.
Adzuna calculate this data by analysing how many views each posting on the Adzuna website receives and comparing this to the overall posting views in the advertised location.

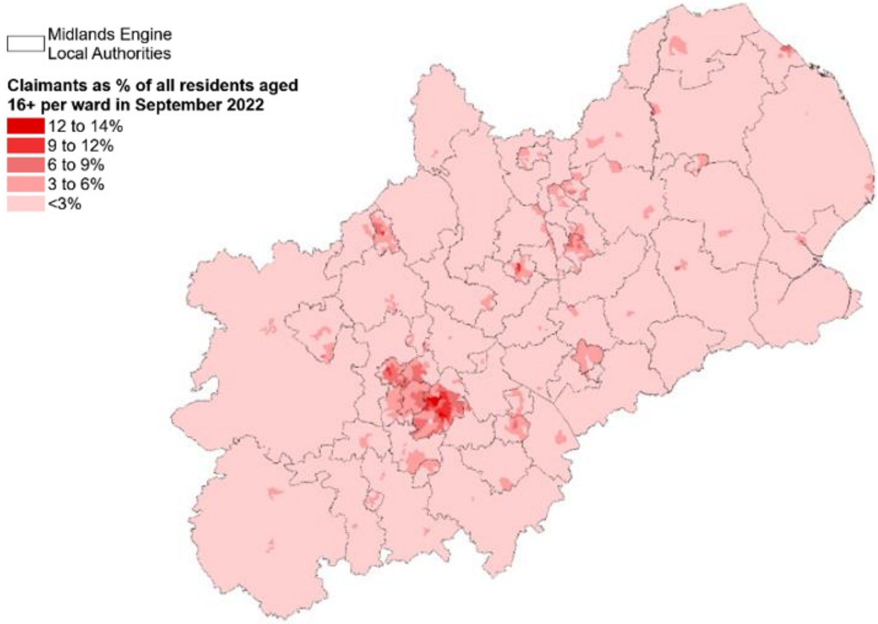
Source: Adzuna Limited Job Posting Intelligence, October 2022

Labour Market Impacts: Claimants

There were **267,350 claimants aged 16 years and over in the Midlands Engine area in September 2022**, a decrease of 2,435 claimants (-0.9%, matching UK) since the previous month. **There are 45,680 (+20.7%, UK +20.9%) more claimants when compared to March 2020**. East Lindsey (-915), North East Lincolnshire (-455) and North Lincolnshire (-65) and Chesterfield (-25) had lower levels than March 2020.

The number of claimants as a percentage of residents aged 16 years was 3.2% in the Midlands Engine (UK 2.8%) in September 2022 – remaining slightly above the pre-pandemic levels of 2.7% (UK 2.4%) in March 2020.

Claimants as a Percentage of Residents Aged 16 Years and Over in September 2022:



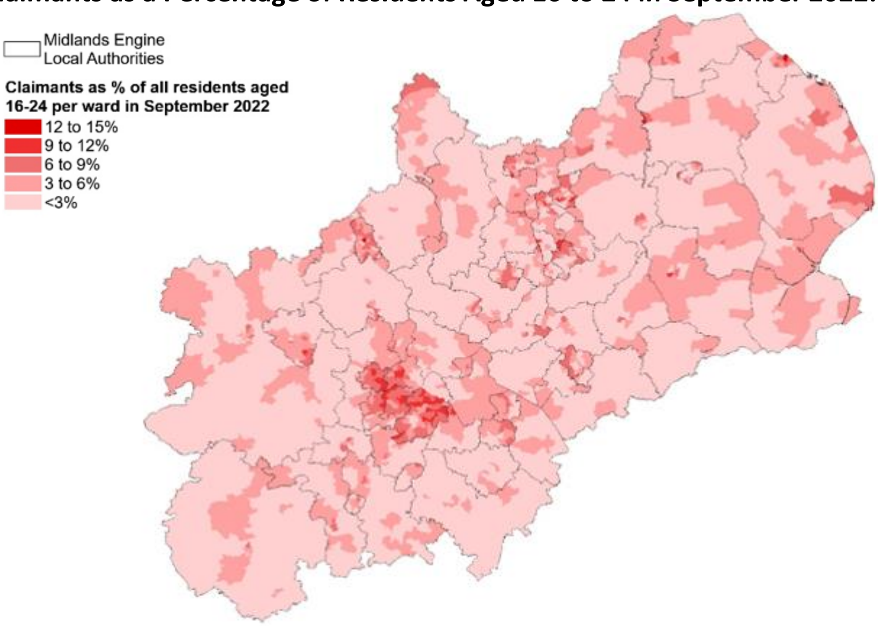
Out of the 1,511 wards within the Midlands Engine, **443 were at or above the UK proportion of 2.8%** for the number of claimants as a percentage of the population aged 16 years and over in September 2022.

The wards with the highest number of claimants as a percentage of the population were based in Birmingham, Birchfield and Lozells were the highest, both at 13.9%. This is followed by Handsworth at 13.8%.

There were 44,195 claimants aged 16-24 years old in the Midlands Engine area in September 2022 – an increase of 765 youth claimants since August 2022. This equated to an increase of 1.6% for the Midlands Engine area compared to an increase of 1.5% UK-wide. Since March 2020, **the number of claimants aged 16-24 years old has increased by 3,670** (+8.3%, UK +6.8%). Notably, 23 local authorities were lower than March 2020 levels and a further 5 were at the same level.

The number of claimants as a percentage of residents aged between 16 and 24 years old was 4.1% in the Midlands Engine and 3.7% for the UK in September 2022.

Claimants as a Percentage of Residents Aged 16 to 24 in September 2022:



Out of the 1,511 wards within the Midlands Engine, **605 were at or above the UK proportion of 3.7%** for the number of claimants as a percentage of the population aged between 16-24 years old in September 2022.

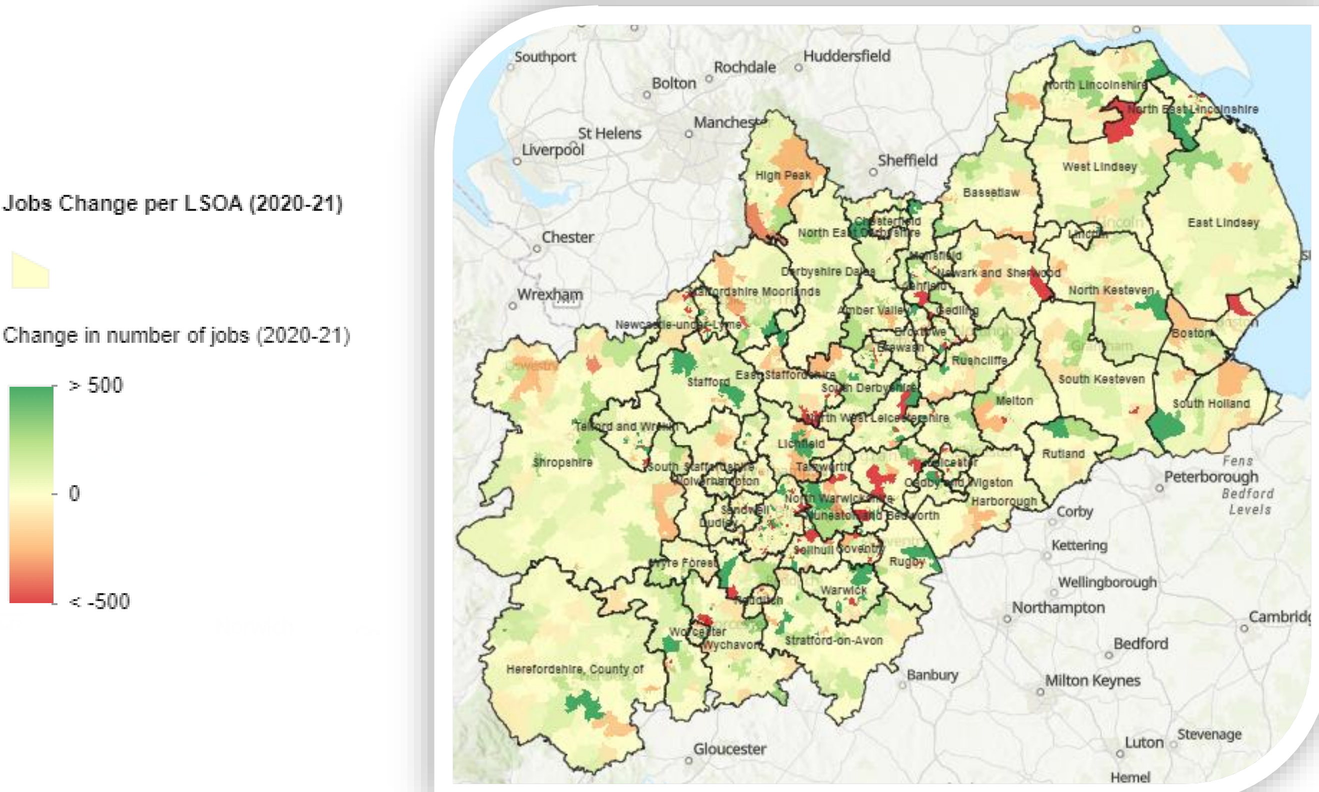
The ward with the highest the number of claimants as a percentage of the population was Joiner's Square (Stoke-on-Trent) at 14.4%. This is by followed by East Marsh (North East Lincolnshire) at 12.8% and then Gainsborough South-West (West Lindsey) at 11.9%. In contrast, within the Midlands Engine there **were 122 wards with no youth claimants** in September 2022.

Source: ONS/ Department for Work and Pensions, October 2022.
Located on the Midlands Engine Hub is an [Interactive Claimant Count Dashboard]

Midlands Jobs

In the Midlands Engine area there were **4.5m jobs in 2021**. This is an **increase of 2.5% (+111,000 jobs) since 2020**, below the national increase of 3.1%. In 2021, there were **3m full-time employees and 1.5m part-time employees** in the Midlands Engine area. When compared to 2020, full-time employee jobs increased by 1.8% (England +3.6%) and part-time jobs increased by 3.3% (England +2.1%).

Out of the 65 local authorities within the Midlands Engine, **52 experienced an increase in the overall number of jobs** (with an additional 10 local authorities with no change) between 2020 and 2021. **The following map shows at Lower Super Output Area (LSOA), job change between 2020 and 2021 across the Midlands Engine.**



Jobs per Sector

In 2021, the **Midlands Engine area had a higher proportion of jobs than the national proportion in five sectors**, as highlighted in green in the **jobs per sector table below**.

Out of the sectors that have increased, **healthcare & life sciences increased the most in real terms at 44,500** (+7.8% to 645,550). In **percentage terms, creative, design & digital increased the most, by 16.4%** (+21,040 to 149,575). As decreases in Midlands Engine jobs in this period was reported within advanced manufacturing (-1.6%), business, professional & financial services (-1.9%) and public sector (-0.4%).

Sector	Midlands Engine 2020	Midlands Engine 2021	Midlands Engine Num. Change	Midlands Engine % Change	Midlands Engine % of 2021 Total	Eng. 2020	Eng. 2021	Eng. % Change	Eng. % of 2021 Total
Advanced Manufacturing	521,180	513,005	-8,175	-1.6%	11.4%	1,999,020	1,983,250	-0.8%	7.5%
Business, Professional & Financial Services	830,065	813,880	-16,185	-1.9%	18.1%	5,895,000	6,185,000	4.9%	23.2%
Construction	305,295	307,390	2,095	0.7%	6.8%	1,837,000	1,923,000	4.7%	7.2%
Creative, Design & Digital	128,535	149,575	21,040	16.4%	3.3%	1,197,000	1,233,000	3.0%	4.6%
Energy & Low Carbon Activities	103,125	106,990	3,865	3.7%	2.4%	474,300	466,700	-1.6%	1.8%
Healthcare & Life Sciences	599,050	645,550	46,500	7.8%	14.4%	3,394,000	3,540,000	4.3%	13.3%
Public Sector	578,400	576,250	-2,150	-0.4%	12.8%	3,382,000	3,456,000	2.2%	13.0%
Retail	699,000	712,400	13,400	1.9%	15.9%	3,857,000	3,829,000	-0.7%	14.4%
Transport Technologies & Logistics	261,300	265,860	4,560	1.7%	5.9%	1,340,000	1,385,000	3.4%	5.2%
Visitor Economy	362,345	402,930	40,585	11.2%	9.0%	2,419,000	2,603,000	7.6%	9.8%
Total	**4,391,000**	**4,502,000**	**111,000**	**2.5%**	**100%**	**25,793,000**	**26,601,000**	**3.1%**	**100%**

Source: ONS/Nomis: Business Register and Employment Survey, released 2022

Skills 2030 Closing the Gap - Manufacturing

Skill challenges are not new to manufacturing. However, there are big changes taking place across industry – digitalisation and the push for net-zero – as well as the post-pandemic recovery and adapting to the post-Brexit landscape, are greatly expediting these changes.

The State of the Manufacturing Workforce

The manufacturing sector has faced skill shortages for decades, what we are now seeing is the build-up of historical challenges. The difference now is that manufacturers are not only facing skills shortages, but also labour shortages.

The number of vacancies in the manufacturing sector is at a 20-year high with some 36% of manufacturing vacancies are proving hard-to-fill, in comparison to an average of **24%** across all industries. Moreover, there are currently **95,000 live vacancies in manufacturing** as orders and output are back on the rise post-pandemic. However, what was not foreseen was the currently tight labour market, with **unemployment at 3.8% with 20% of the market being defined as 'economically inactive'** shrinking the pool available to manufacturers. Moreover, **24%** of surveyed firms stated that they were not confident in acquiring the skills they need with **50%** of manufacturers disagreeing that they can access the talent their business needs locally.

Furthermore, the number of workers aged 50-70 moving from economic activity to inactivity has been on the rise between Q2 and Q3 2021 which was **87,000 higher** than in the same period in 2019. This is likely caused by early retirement due to the pandemic, with manufacturers noting that a number of employees were retiring early. In the same vein, **more than half of manufacturers expect between 6% and 20% of their workforce to retire in the next 10 years**, with risks that this could be accelerated even further over the coming years based on recent trends.

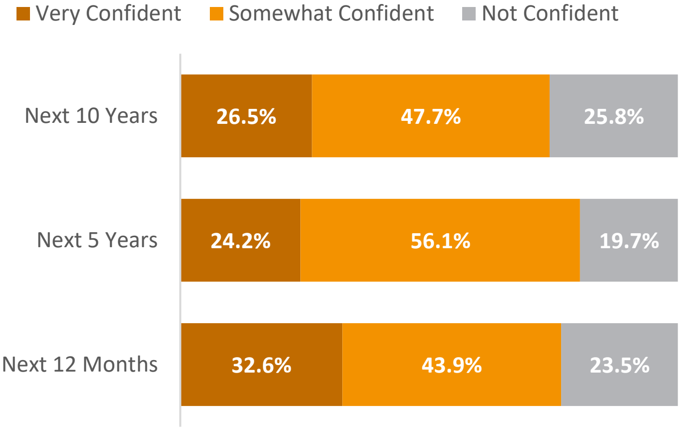
Similarly, other movements include an increase of those moving outside of the industry. At the start of the year MakeUK's Executive Survey found that **87%** of companies were concerned that employees would be leaving their business and **84%** leaving the industry altogether. **MakeUK's labour turnover report found that churn rates in the past 12 months excluding redundancies was 25% - the highest we have seen for years.**

MakeUK estimate the cost of lost productivity due to vacancies in manufacturing being left unfulfilled is 2022 amount to **£7.7 - £8.3 billion**, or approximately **£21** million a day lost in output for GDP.

Source: MakeUK, 2022

Overall, surveys show that manufacturers are overly optimistic in their ability to acquire skills, including within the next 12 months with **32.6%** of manufacturers very confident in their ability to acquire skills, as opposed to **43.9%** of manufacturers who were somewhat confident and **23.5%** had no confidence.

Manufacturers Confidence in Accessing Skills



Source: Make UK/SAGE, 2022

Looking ahead, an interesting item in determining skills and jobs which are needed for 2030 are the overarching trends which drive these changes. Manufacturers stated that the skills needs for 2030 will include Automation **(59.1%)**, Flexible working **(56.1%)**, Digitalisation **(49.2%)**, and Greenification **(37.1%)**.

Trends Driving Skills and Jobs for 2030:

Flexible working is the first named trend which is generally common in the manufacturing sector, however it is often differentiated between production and non-production staff. Production roles can rarely be carried out at home as they involve equipment only available on employer's premises, likewise flexibility is challenging as it often requires presence of the whole production line.

Automation and Digitalisation is the second trend with **59%** of manufacturers cited automation as a trend that is changing jobs and skills needs for their business, and half **(50%)** cited wider digitalisation. Digitalisation was particularly accelerated when the pandemic struck with **94%** of companies successful having staff working from home.

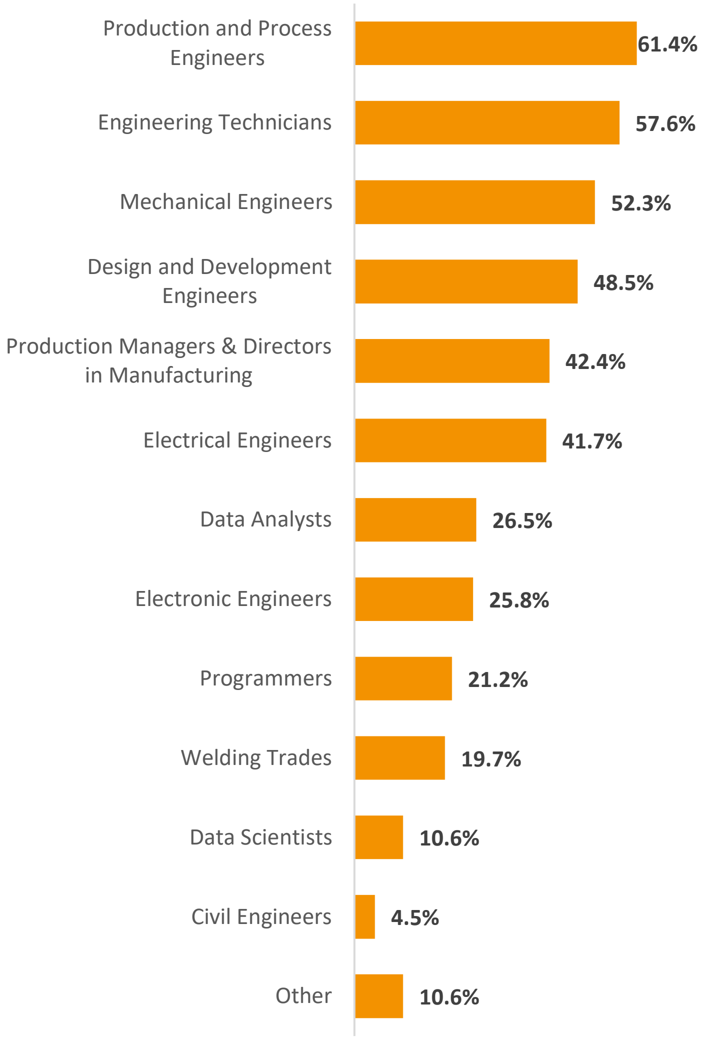
Greenification is the third trend with almost two-fifths **(37%)** of manufacturers citing it as a factor in changing skills needs. Key to this is access to high-level skills such as innovation and management to meet the challenge of net-zero by 2050. Some of the typical skills that are highlighted by manufacturers include resource efficiency, low-carbon economy and the development of new or amended products.

Skills 2030 Closing the Gap - Manufacturing

Translating Trends into Job and Skills Requirements
A strong focus is shown on management and leadership skills with a quarter **(25%)** of companies expecting this to significantly increase, and a further **39%** expecting demand to somewhat increase. Likewise, **62%** of businesses disagree with the statement that their business has the skills it needs for 2030; comparable to **17%** which agree.

Furthermore, this is accompanied by demand to build a resilient workforce with **64%** of companies citing increased need for people management skills. Greater investment in leadership and management skills is a clear and consistent priority for manufacturers as they consider their current and future skills gap for the sector to 2030 and beyond. This is especially the case for many SMEs in the sector, who identify a lack of access to the right skills – specifically leadership and management skills – as one of the key barriers to their future growth.

Manufacturers Cited Job Roles For Which They Will Need To Recruit In The Next 12 Months



Source: Make UK/SAGE, 2022

When viewing manufacturers expectations between now and 2030 it is clear that 'technical' job roles will be in demand, with **58%** of companies already having plans to recruit engineering technicians and **61%** having plans to recruit production and process engineers. In a shift from prior years, there is a stronger focus on data with **27%** planning to recruit data analysts and **11%** planning to recruit data scientists, further reinforcing digitalisation across manufacturing.

The Recruitment Drive
MakeUK's survey revealed that manufacturers are recruiting for posts across the entire businesses, from shop floor to board level. Over the past 12 months this included a focus on recruiting apprentices and skilled trade and technical roles. This focus remains in the 12 months ahead, however there is an additional drive for more graduates and mid-level managers.

Apprentices are noted as of specific importance, with over half of manufacturers having recruited an apprentice in the past 12 months and plans to recruit a similar amount in the year ahead. Manufacturers are focused on securing the next generation of talent, with around **6 in 10 (58%)** stating that they typically recruit apprentices aged 16 to 18, **one in three (31%)** said 19 to 21 and just **10%** said 22 and over. For manufacturers apprenticeships are clearly a much-needed pipeline for the future. Manufacturers typically recruited apprentices at Level 2 (Intermediate) cited by **63%** of companies, followed by Level 3 (Advanced) by **30%** of employers and **6%** stating level 4 (Higher). With **62%** of manufacturers paying the apprenticeship levy, despite over **56%** of manufacturers having less than 250 employees.

Tackling Longstanding Barriers
Barriers for more training include: time, relevant training provision, financial constraints, and a lack of support to external finance such as government support.

Policy Recommendations
Make UK's policy recommendations include:

- **Addressing Immediate Labour Shortages**; Revising the Shortage Occupation List.
- **Securing the technical skills needed for 2030**; Introducing apprenticeship incentives for areas of skills shortages; Create an employer training fund.
- **Building a Resilient Workforce for the Future**; Target support at lifelong digital and green skills; Expand help to grow to support future leaders and managers; help early retirees to join the further education teaching workforce.

Source: MakeUK, 2022

3. Business Environment Impacts

Local Business Intelligence By Sector

SECTOR	KEY INSIGHTS
Manufacturing	• UK manufacturers reported a **further fall in output in the three months to October**, but expect production to pick up in the coming quarter, according to the **CBI's latest quarterly Industrial Trends Survey.** The survey, important to the Midlands given our sector strength, found: - Output in the three months to October fell slightly, and at a similar pace as in the quarter to September (balance of -4% from -4%). However, firms expect output to increase slightly in the next three months (+7%). - The share of **firms citing a shortage of skilled labour as a factor likely to constrain output over the next three months reached its highest level since October 1973** (49%, from 39% in the quarter to July). - **New orders fell in the quarter to October** (balance of -8% compared to +11% in the quarter to July), reflecting a decline in domestic orders (-8% from +7%) and the quickest fall in export orders since the quarter to July 2020 (-18% from -2%). - **Business sentiment fell for a fourth successive quarter, and at its fastest rate since April 2020** (balance of -48% from -21% in July).
Hospitality, Tourism & Retail	• UK retail sales volumes grew at a solid pace in the year to October, following last month's decline, according to the **latest CBI Distributive Trades Survey**. Next month, retailers expect sales volumes to fall again, but at a slow pace. • However, **The British Independent Retailers Association** (Bira) says consumer confidence has been damaged and is urging government to take swift action. They say a decline in sales figures is evidence that the cost-of-living crisis has **crushed consumer confidence.** • Businesses are urging the Government to **swiftly introduce VAT relief for struggling hospitality businesses and non-essential retailers, continue** reform of the business rates **system and expand the Shortage Occupation List** to directly help those businesses most impacted by the current economic environment. • Ongoing shortages of candidates in the Hospitality and Tourism sectors are leading **to businesses operating with less staff or not being able to open at all as they are unable to serve customers.** This is damaging reputations and risking the future of these businesses that may be forced to close. Other issues are present **with candidates who are applying for jobs but simply not turning up for interviews**, leading to frustration and time being wasted.
Technology / R&D	• Nottingham's historic Trent Bridge Bus Garage, once home to horse drawn trams, now has a new Zero Carbon future as **Nottingham City Transport has ordered its first electric single deck buses, appointing Zenobē Energy as the delivery partner for the electrification of 78 buses.** As the delivery partner on the project, Zenobē, a leading EV fleet and battery storage specialist, will supply the charging infrastructure to Trent Bridge Bus Garage • Whereas in the West Midlands, **six technology companies have outlined regional investment plans** which are expected to create an initial 73 jobs in the region. - Included in this tranche of investments is **carbonTRACK,** an Australian smart energy and IoT company. After choosing Birmingham as the location for its UK headquarters in 2019, carbonTRACK has confirmed that it projects recruiting up to 15 additional people in the city in 2023. - Birmingham-based mobile payments company **Voilo** is also among the new investors into the region. The business, which achieved a £2m valuation in just seven months since its product launch, is taking on an additional eight employees by April 2024. • Despite R&D investments across the Midlands, the **UK's overall share of global R&D investment has fallen by a fifth since 2014,** according to new analysis of the most recent data by IPPR. The UK only places 11th in the OECD in terms of total R&D investment as a percentage of GDP, well behind countries like Austria, Switzerland and the USA.
Construction	• According to ONS data, **construction is the sector with the highest number of recent company insolvencies, seeing a sharp rise in company insolvencies since 2021.** • The West Midlands played host to major activities within **UK Construction Week in the first week of October (at the NEC), while also hosting a sector jobs fair at Edgbaston Stadium.**

Local Business Intelligence

This section draws on contributions from the NFU, and the FSB.

FSB – Small Business Experiences

Anecdotal evidence from FSB members in the **Midlands, suggests that a good proportion have coped surprisingly well in the still volatile business climate**, while others have, or are about to, make some really tough decisions about their businesses in the medium to longer term.

This is borne out in our most recent, **quarterly 'Small Business Index' report** for the East and West Midlands. They show that, across indicators such as revenue growth, employment growth and capital investment intentions, small businesses are reporting that Quarter 3 of 2022 saw:

- **slightly positive (West Midlands) or slightly negative (East Midlands) net performance** across these indicators during the quarter, in terms of the number of small businesses reporting increases vs reductions.
- **Looking forward, small businesses in both regions are anticipating negative net performance across these indicators** (i.e. more anticipate they will face reductions than increases – so a complete reversal (West Midlands) or worsening (East Midlands) of their Q3 performance).

Across both regions, small businesses feel **the main barrier to their growth is the general economic state of the UK**, 69% in the East and 63% in the West placing this as their number one concern – and by a considerable margin.

The other most mentioned factors were utility costs and consumer demand (East Midlands); and fuel costs, accessing skilled labour and input costs (West Midlands).

FSB has been highlighting the 'cost of doing business crisis' for some months now, so is calling on the new Prime Minister to end the political turmoil in Westminster and to deliver the promised **support for small firms on energy bills and cutting National Insurance, and on securing growth and prosperity in the medium and long term.**

NFU – Farming

As UK **inflation reached a record high of 10.1%** in September, rising food prices continue to be a key driver for this 40 year high, and the impacts are far reaching from consumers through to NFU members. NFU Chief Food Business Adviser looks at how t**he Food Business Unit is championing farmers' voices to the major supermarkets.**

The food industry has been hit by record levels of energy and input costs made significantly worse by the war in Ukraine, forcing inflation to record highs.

Food inflation is now at the highest rate ever recorded, up 13.9% when compared to the same period last year. That equates to annual food bills increasing by £643, taking **annual grocery bills from £4,610 to £5,265** (according to Kantar 12 weeks ending 2nd October 2022). If consumers continue to buy the same weekly items, this equates to an **extra £12.36 per week.**

Consumers are cutting down on certain products and switching to cheaper alternatives. Be it moving from branded to own label, premium to value ranges, **the shift has been significant with sales of the very cheapest, value own-label ranges up by 33%.**

Co-op have invested £37 million into cutting the prices of more than 100 convenience items. It also announced plans to "simplify" its range amid the cost-of-living crisis and warned some products would lose shelf space.

According to Kantar, **Aldi has reportedly gained more than 1.65 million customers** and have seen sales rise by 20.7% in the period ending 12 weeks up to 2nd October 2022.

Avian Influenza

The **NFU represent farmers on Defra's regular Avian Influenza (AI) Core Group meetings, raising the impact AI is having on the ground, as well as also ensuring MPs clearly understand the ramifications of an outbreak to businesses**. NFU are also utilising existing relationships with other supply chain stakeholders such as retailers and food businesses to help support the farming members.

On 7th October 2022, NFU held an National Poultry Board meeting and it was unanimous in **calling for the government to implement immediate housing measures as a preventative measure across Great Britain.**

NFU Lobbying Asks:

- **Expand the regional housing measures** on a national basis to reflect the increase in the levels of risk across the country
- Ensure that the government's **compensation protocol and payment scheme for premises** which are confirmed with AI is fit for purpose
- **Review the marketing legislation** which currently provides a 16-week protection period for the marketing of free-range eggs when government housing measures are imposed
- **Provide support on longer term measures** for the government and industry to deal with AI as an annual occurrence – i.e. research into vaccination.

Business Insights and Impact on the UK Economy

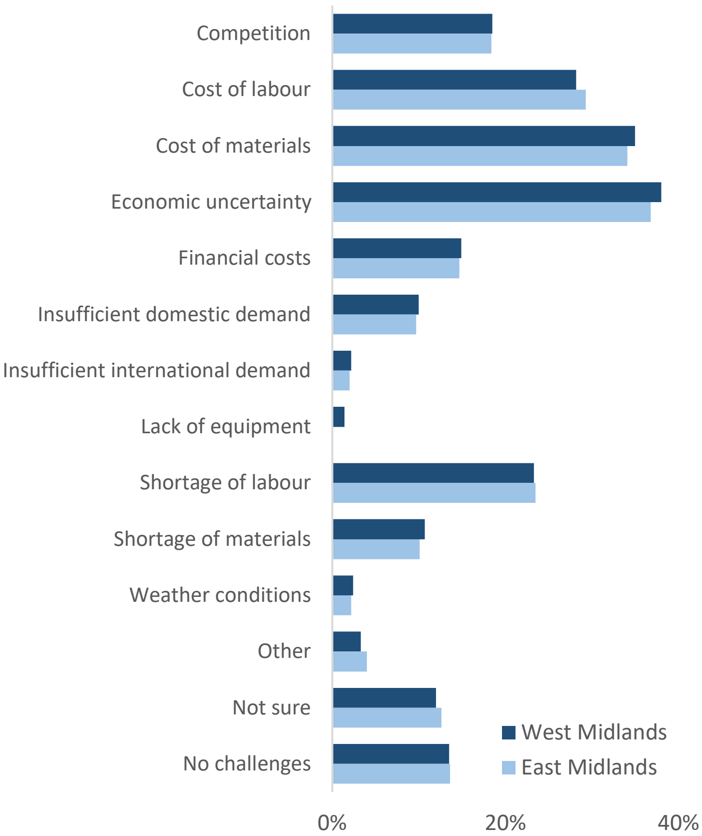
The Office for National Statistics (ONS) have published the final results from Wave 67 of the [Business Insights and Conditions Survey (BICS)](#).

Financial Performance

30.8% of West Midlands businesses and 28.2% of East Midlands businesses reported that the business turnover in September 2022 when compared to August 2022 had **increased**. At the other end of the scale, **22.7% of West Midlands businesses and 22.2% of East Midlands businesses reported a decrease.**

38.0% of West Midlands businesses and 36.8% of East Midlands businesses reported **economic uncertainty was impacting turnover.**

Challenges Impacting Midlands Businesses turnover:



21.2% of West Midlands businesses and 20.7% of East Midlands businesses expect turnover to increase in November 2022. In contrast, **15.1% of West Midlands businesses and 15.9% of East Midlands businesses expect turnover decrease in November 2022.**

Prices

43.2% of West Midlands businesses and 42.7% of East Midlands businesses reported the prices of goods or services bought in September 2022 when compared to August 2022 had increased. At the other end of the scale, for both regions, 1.1% of businesses reported that prices of goods or services bought had decreased.

20.6% of West Midlands businesses and 22.0% of East Midlands businesses reported the prices of goods or services sold in September 2022 when compared to August 2022 had increased. 1.1% of West Midlands businesses and 1.3% of East Midlands businesses reported that prices of goods or services sold had decreased.

Demand for Goods and Services

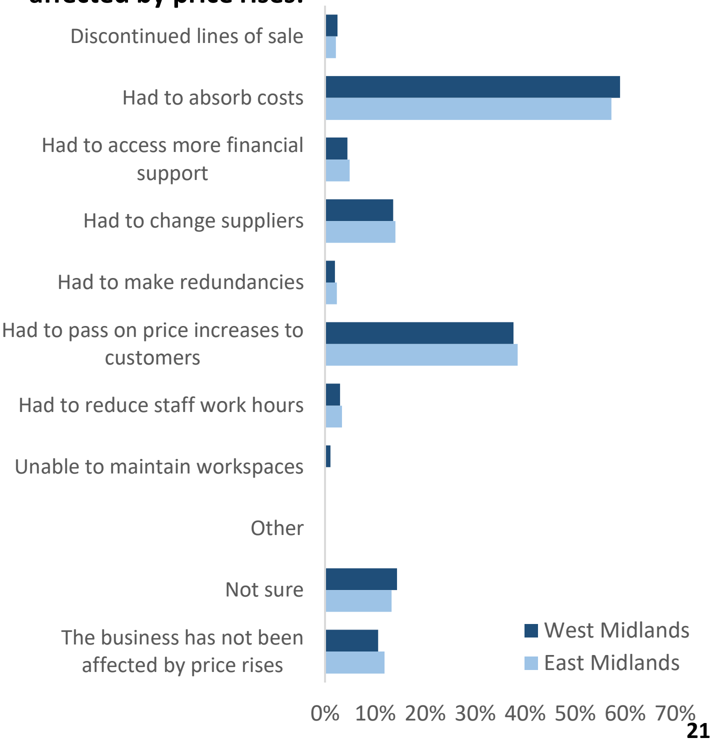
52.1% of West Midlands businesses and 52.6% of East Midlands businesses reported the **domestic demand** for goods or services in September 2022 when compared to August 2022 had stayed the same. 13.5% of West Midlands businesses and 13.0% of East Midlands businesses reported an increase. For both regions, **15.7% of businesses reported a decrease.**

In comparison, 25.9% of West Midlands businesses and 24.2% of East Midlands businesses reported the **international demand** for goods or services in September 2022 when compared to August 2021 had stayed the same. 5.3% of West Midlands businesses and 4.3% of East Midlands businesses reported an increase. Although, **5.2% of West Midlands businesses and 5.6% of East Midlands businesses reported that international demand had decreased.**

Impacts of Price Rises

59.0% of West Midlands businesses and 57.3% of East Midlands businesses have had to absorb costs due to price rises.

Reasons (if any), Midlands businesses have been affected by price rises:



Business Insights and Impact on the UK Economy

Capital Expenditure

16.3% of West Midlands businesses and 15.5% of East Midlands businesses expect capital expenditure will increase over the next three months. 10.9% of West Midlands businesses and 11.7% of East Midlands businesses expect capital expenditure to decrease over the next three months.

Number of Employees and Staffing Costs

22.8% of West Midlands businesses and 24.1% of East Midlands businesses reported the number of employees had increased in September 2022 when compared to the previous month. Although, **12.4% of West Midlands businesses and 13.4% of East Midlands businesses reported the number of employees had decreased.**

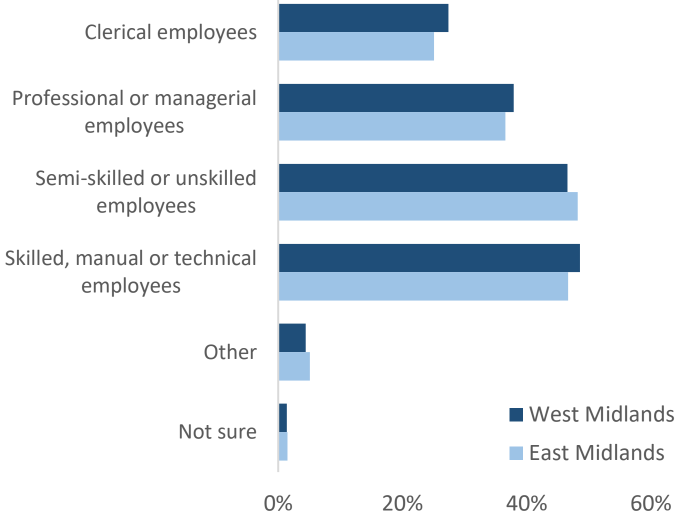
20.9% of West Midlands businesses and 22.4% of East Midlands businesses expect the number of employees in November 2022 to increase. **5.4% of West Midlands businesses and 5.6% of East Midlands businesses expect the number of employees to decrease.**

46.1% of West Midlands businesses and 48.2% of East Midlands businesses reported that staffing costs had increased over the last three months. 38.6% of West Midlands businesses and 37.4% of East Midlands businesses reported staffing costs had stayed the same. while for both regions, 2.8% of Midlands businesses and reported a decrease.

Recruitment Difficulties

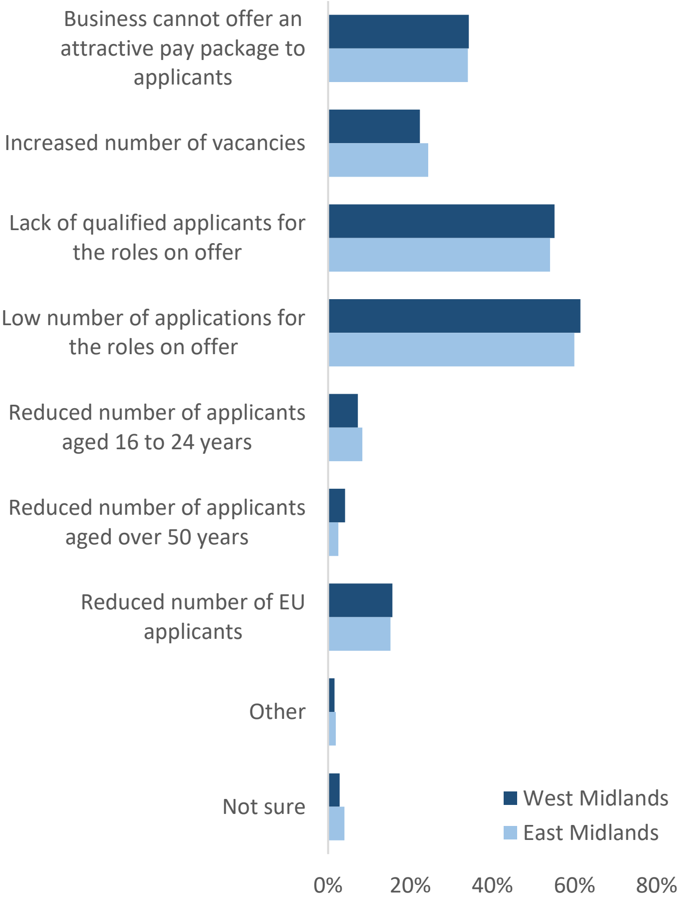
38.4% of West Midlands businesses and 39.8% of East Midlands businesses reported **experiencing difficulties in recruiting employees** in September 2022. While 34.7% of West Midlands businesses and 35.7% of East Midlands businesses reported no difficulties.

Employees that Midlands Businesses Have Had Difficulties in Recruiting:



61.5% of West Midlands businesses and 60.0% of East Midlands businesses reported the **difficulties in recruiting employees was due to the low number of applications for the roles on offer.**

Reasons as to Why Midlands Businesses Experienced Difficulties in Recruiting Employees:



Overall Performance

30.1% of West Midlands businesses and 27.6% of East Midlands businesses reported that **performance had increased** in September 2022. Although, 20.7% of West Midlands businesses and 20.7% of East Midlands businesses reported that **performance had decreased**.

33.3% of West Midlands businesses and 30.6% of East Midlands businesses and expect an **increase in overall performance in the next 12 months**. Although, 12.9% of West Midlands businesses and 12.7% of East Midlands businesses expect **performance will decrease.**

Source: ONS: Wave 67 of the Business Insights and Conditions Survey. In the West Midlands there was a response rate of 26.0% and in the East Midlands there was a response rate of 28.2% where businesses have a presence in the region. There was a response rate of 24.0% for the West Midlands and 28.1% of East Midlands where businesses are headquartered in the region. Survey reference period: 1st to 30th September 2022. Survey live period: 3rd to 16th October 2022. As response rates are low and the data is unweighted and should be treated with caution.

4. People and Places Impacts

The Midlands Gross Disposable Household Income

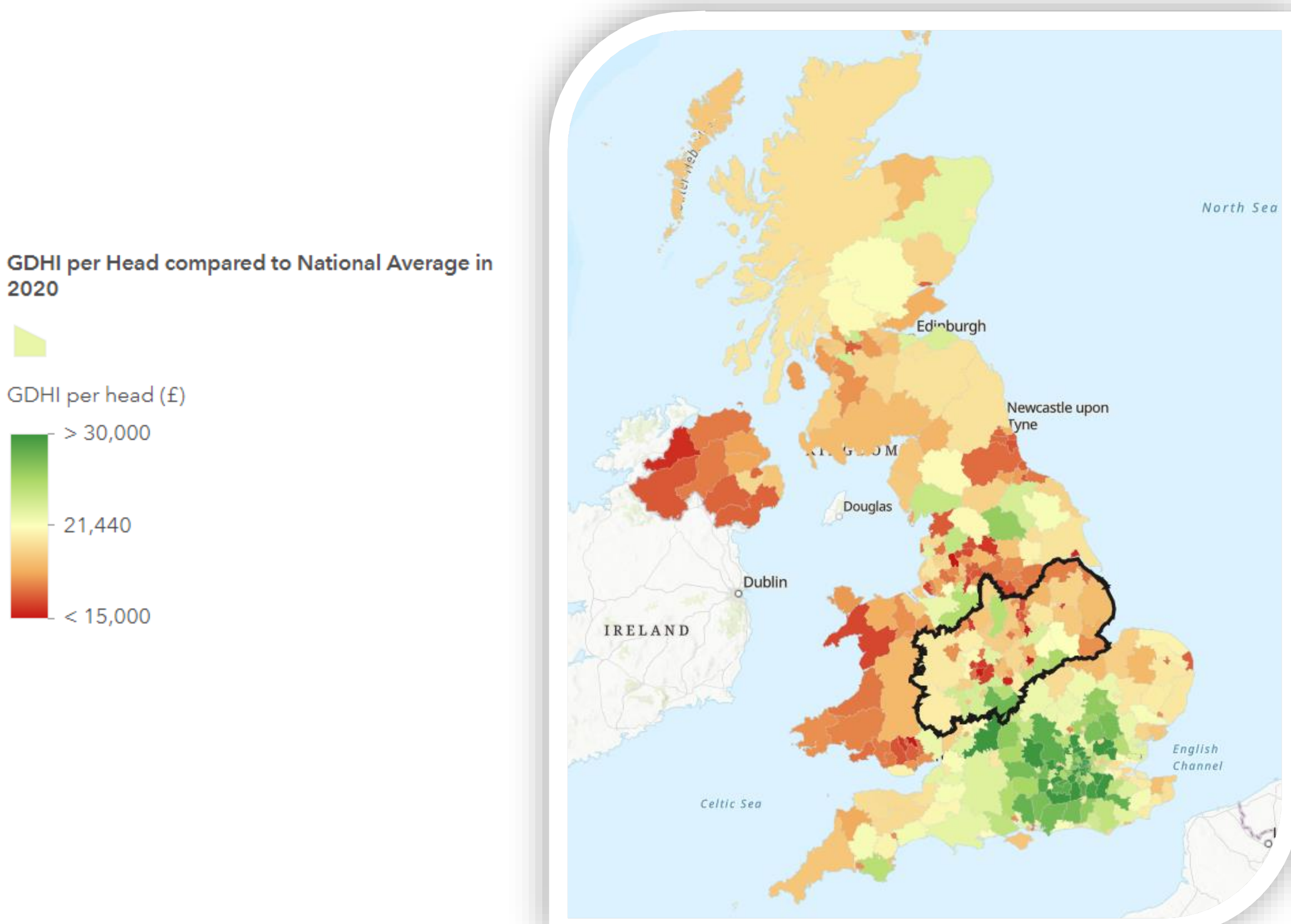
Gross Disposable Household Income (GDHI) is the amount of money that all of the individuals in the household sector have available for spending or saving after they have paid direct and indirect taxes and received any direct benefits. GDHI is a concept that is seen to reflect the "material welfare" of the household sector. GDHI estimates are produced in current prices.

Total Gross Disposable Household Income (GDHI)

- **The Midlands Engine total GDHI has increased from £189.0bn in 2019 to £190.8bn in 2020. This equates to a 0.9% (+£1.7bn) annual increase, above UK-wide growth of 0.3%.**
- Within the Midlands Engine **45 local authorities experienced an increase** in total GDHI between 2019 and 2020. Nottingham had the largest percentage GDHI increase, reporting 4.2% growth (+£189m) to £4.7bn. This was followed by Bolsover, increasing by 3.6% (+£46m) to £1.3bn and then Mansfield increasing by 2.8% (+£53m) to £1.9bn.
- In contrast, Derbyshire Dales decreased by 3.5% (-£66m) to £1.8bn, followed by Malvern Hills decreasing by 2.5% (-£49m) to £1.9bn and Stratford-on-Avon decreasing by 2.3% (-£87m) to £3.7bn.

GDHI per Head

- **The Midlands Engine GDHI per head has increased from £18,268 in 2019 to £18,341 in 2020. This equates to a 0.4% (+£73) increase, above the UK-wide decline of 0.2%. There is a shortfall of £3,099 to the UK figure (£21,440).**
- There were 12 local authorities within the Midlands Engine area where GDHI per head was higher than the UK-wide figure in 2020, the highest local authority being Stratford-on-Avon.
- Within the Midlands Engine, GHDI per head increased among 37 local authorities. Nottingham had the largest percentage increase in GDHI per head, reporting 2.9% growth (+£392) to £13,952, which is £7,488 below the UK.
- In contrast, GDHI per head decreased in 28 local authorities: Stratford-on-Avon (-4.0% to £27,839), Derbyshire Dales (-3.6% to £25,080) and Malvern Hills (-3.4% to £23,857 all saw the largest percentage decrease.



Source: ONS, [Regional gross disposable household income, UK: 1997 to 2020](), released 2022

From Pandemic to Endemic

In partnership with the University of Nottingham, the Midlands Engine Observatory produced a **study into the ways in which leading institutions in the region have responded to the pandemic and how they are preparing for Covid-19 as an endemic disease**. The objective of the research was to provide advice for action in the process of transition to Covid-19 becoming an endemic disease in the wake of the government removing its pandemic 'Working Safely' requirement for employers to explicitly consider Covid-19 in their risk assessments in February 2022. The full report is available here.

The assessment was conducted through online interviews between March and June 2022 with 10 leaders of organisations across a range of sectors. It **focused on how the pandemic brough about institutional change and the challenge of conducting business and managing a labour force during a public health crisis**.

Interviewees by gender, economic area and focus:

Respondent #	Gender	Economic Area	Focus
R1	Male	Consultancy	Non-Profit
R2	Male	Local Government	Non-Profit
R3	Male	Healthcare	Non-Profit
R4	Male	Advanced Manufacturing	For-Profit
R5	Male	Healthcare	Non-Profit
R6	Male	Healthcare	Non-Profit
R7	Female	Healthcare	For-Profit
R8	Male	Higher Education	Non-Profit
R9	Female	Advanced Manufacturing	For-Profit
R10	Male	Advanced Manufacturing	For-Profit

Costs of the Pandemic

The pandemic brought about significant costs to organisations, especially to property and infrastructure, which were either reorganised or reconfigured in line with work-at-home protocols. Some organisations were caught in the dilemma of having to pay business rates for under-utilised assets. As the pandemic progressed, organisations that remained working in place faced additional and ongoing costs for the consumables needed to lower the risk of virus transmission in the workplace, and to facilitate their office staff working from home with efficient and secure communication connections. **The main costs reported were a perceived reduction in productivity, a loss of organisational culture, a decline in networking as well as problems with staff recruitment and retention.** Further concerns included **inequalities of outcome,** both economic and social, especially regarding physical and mental health.

Benefits of the Pandemic

The leaders interviewed identified several benefits from the pandemic, including a transition to a **digital working process with benefits being accrued through hybrid working, such as greater staff satisfaction and an ability to reduce office space**. Leaders of organisations that could easily shift to hybrid working noted **improved productivity**. Moreover, although some organisations found recruitment during the pandemic more difficult, the shift to working from home meant that employers could recruit more widely for new staff. **The pandemic may have provided an opportunity to manage office space more carefully, rework desk ratios, and encourage workers to be more cautious about going to work when unwell.**

The interviewees identified several common themes for moving their organisations from pandemic mode to an improving but still uncertain environment:

- **Government leadership and guidance** proved essential in setting out what organisations should do in the face of continuing uncertainty, with some organisations exploring additional data.
- **Making workplaces safer** became an important factor for limiting the risk of infection, reducing risk of staffing shortages, whilst addressing employee uncertainty about returning to work for organisations.
- **Hybrid working** became popular during the pandemic for its multiple benefits, including higher levels of working satisfaction and organisational resilience. This led to increased levels of digital connectivity and cybersecurity to many organisations who prior to the pandemic had no experience of off-site working.
- **Reassessing use of workspaces** was another key theme which emerged, including increased use of 'hot desks' and flexible hubs. This not only reduced costs and saved money for businesses, but also allowed to deal with isolation for smaller firms who shared office space with other entities.

Lessons Learned

The first lesson is to **be aware** of any growing health concerns, with many respondents becoming aware of Covid-19 between January and March 2022, with those in healthcare gaining the earliest insights. Likewise, other organisations became more aware when their business environment in which they operated in was severely disrupted. Some leaders, especially in healthcare and local government, had confidence in the UK's pandemic preparation planning.

The second lesson was to **be prepared** for emergencies, including solving deficiencies, where many organisations began to forge new and lasting support networks.

Source: Midlands Engine

Spatial Impact of the Cost of Living Crisis

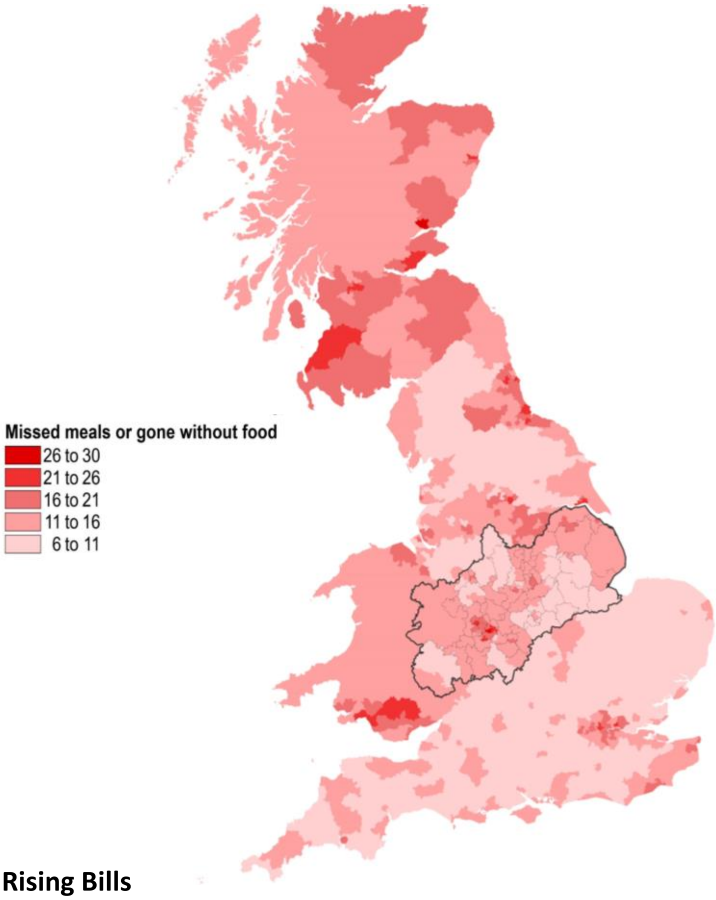
A new MRP poll of 10,000 people **reveals how the cost of living emergency is hitting family budgets in every single parliamentary constituency**. The poll – carried out for the [Trades Union Congress (TUC) by Opinium]– highlights the **scale and distribution of the worse impacts of the current cost of living crisis.**

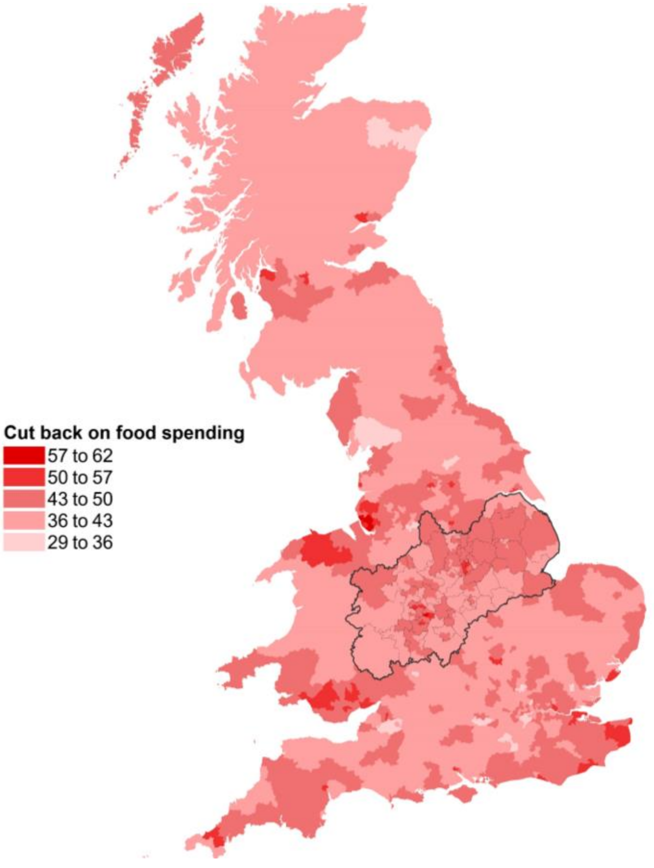
Skipping Meals

The poll suggests that 1 in 7 (14%) people across the UK are having to skip meals or go without food to make ends meet**.** In 47 parliamentary constituencies this number rises to 1 in 5 (20%) or above; of which **7 constituencies are located in the Midlands Engine (all in the West Midlands), including Birmingham Erdington, Northfield, and Hodge Hill, and Ladywood (the highest proportion in the UK at 29.3%), and Wolverhampton South East, West Bromwich West and Stoke-on-Trent Central.**

Cutting Back on Food Spending

The survey also reveals that over two-fifths (44%) of Britons are having to cut back on food spending, even affecting 3 in 10 local residents in more wealthier constituencies. **Birmingham Ladywood has the second highest proportion of residents that have cut back on food spending (60%) across the UK, one of 48 Midlands Engine constituencies that are level or above the UK average on this metric.** The worst affected places are largely concentrated in urban areas, including parts of Birmingham, Sandwell, Nottingham, Coventry, Wolverhampton, Stoke-on-Trent and Derby.





Rising Bills

Over half (55%) of the population are cutting back on heating, hot water or electricity, while 1 in 12 (8%) reported missing payment of a household bill. **Birmingham Ladywood again is the worst impacted area in the Midlands Engine for missing bill payments (23%), followed by other parts of the city (Northfield, Erdington, Perry Barr, Edgbaston, Hodge Hill and Hall Green) alongside West Bromwich, Derby, Nottingham and Stoke-on-Trent**. The constituencies with the highest proportion for cutting back on utilities use are more widely distributed**: High Peak reports the highest proportion of Midlands Engine constituencies (60%), followed by Scunthorpe (59%) Birmingham Northfield, Wyre Forest, Shrewsbury and Atcham, Rushcliffe, Birmingham Ladywood, Brigg and Goole, and Newark (all 58%).**

Opinium conducted a poll of 10,495 GB adults from 26-30 September 2022 designed to be representative of the national population according to demographics and past voting behaviour. The data from the poll were analysed using a multilevel regression and post-stratification (MRP) approach to derive constituency-level estimates for the results of key questions including voting intention

Town Vitality

Social Market Foundation's (SMF) first-of-its-kind Town Virality Report looks at what policy focus is needed to unlock the potential of the differing types of towns across the UK. The report compiled five broad measures of economic performance, those being:

- **Economic Prosperity** – consisting of data on employment, salary levels, economic output (GVA) and consumer spending (local-level Visa transaction data).
- **People & Skills** – consisting of data on the health of the workforce, as measured by inability to work for health reasons and pervasive work-limiting conditions. This pillar also contains data on educational qualifications held and the relative size of the working age population.
- **Infrastructure** – consisting of data on the number of jobs within a one-hour drive or one-hour public transport trip to gauge the quality of transport infrastructure. This also includes digital infrastructure based on average broadband download speeds.
- **Business Environment** – consisting of data on new business creation, access to support for SME's and the strength of high street spending (based on local-level Visa transaction data on leisure and retail spend).
- **Sustainability** – consisting of data on CO2 emissions, the share of businesses in carbon-intensive industries and proximity to net zero industry clusters.

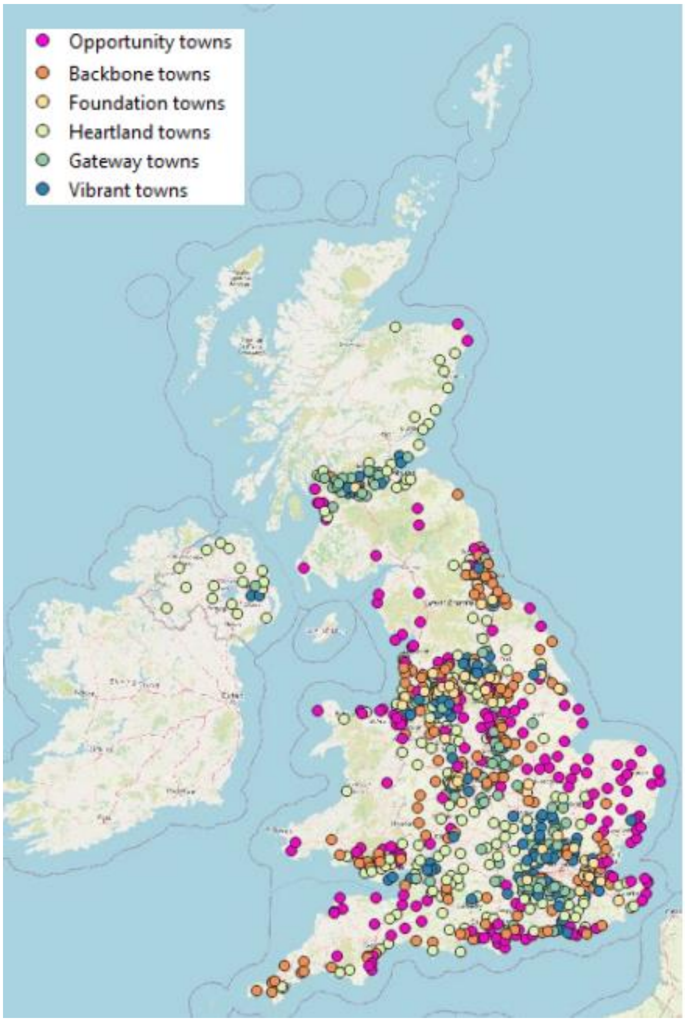
These measures were then used in analysis of **800+ towns,** splitting them into six categories (and UK %):

- **Vibrant Towns (14%)**; Towns scoring above average on skills, infrastructure and the business environment. These are often near major cities.
- **Opportunity Towns (21%)**; Often nice places to live (as per resident wellbeing measurements) and sometimes relatively affluent, but scoring on below-average on skill levels, infrastructure, and business environment. Coastal towns fall into this category, or places which struggled from de-industrialisation, such as ex-mining communities.
- **Backbone Towns (20%)**; Places scoring above average on infrastructure or business environment (but not both), suggesting strengths to build on. These places have below-average skill levels, examples include Southern coastal towns, South Wales and towns near Liverpool and Newcastle.
- **Foundation Towns (11%)**; Towns which perform well on infrastructure and business levels but fall short on skills levels. **Such as towns around Birmingham**, Manchester and Leeds, or "New Towns" such as Stevenage, Harlow, Basildon and **West Bromwich**.
- **Heartland Towns (21%)**; Towns with above-average skills levels but below-average infrastructure quality, more often placed in rural parts of the UK.
- **Gateway Towns (14%)**; Towns with above-average skills levels and infrastructure, but a below-average local business environment such as "Commuter belt" towns near major cities.

– each with unique strengths, weaknesses, challenges, and opportunities.

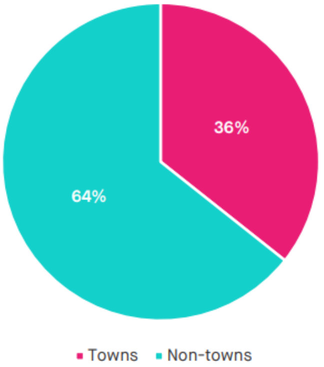
Source: Social Market Foundation, 2022

Typology of Towns in the UK



Source: SMF Analysis

Share of UK Employment



Source: ONS, BRES, SMF Analysis

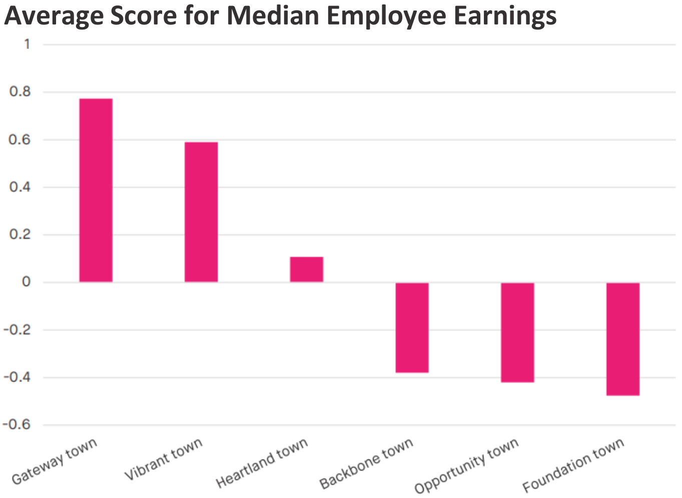
Nearly half of the UK population **(46%)** lives in a town. Although, a towns' share of economic activity is smaller as many people commute from towns to work in organisation based cities, and others live in towns but do not work (i.e., retirees). Nevertheless, over a third of UK employment **(36%)** is in towns.

Town Vitality

The key themes which emerged from the analysis:

1. A towns versus cities narrative is likely to be counterproductive. **Towns benefit from the economic "halo effect" of successful cities**, though there are notable exceptions to this phenomenon.
2. North-South divide in economic vitality is far too simplistic. **A narrow policy focus on levelling up the North raises the risk of Southern towns failing to meet their full potential**, and would ignore lessons from Vibrant towns in the North.
3. High skills is the **best predictor of economic vitality**. Driving up skills levels, attracting talent from other parts of the country and tackling health inequalities has to be a focus of policy.
4. Foundation towns need to focus on **skills, wellbeing and liveability**.
5. Economic vitality must not come at the **expense of wellbeing**. Many places that score relatively poorly on economic dynamism have relatively high levels of life satisfaction.
6. On average, **opportunity towns and heartland towns face the greatest challenges in reaching net zero**.

Average Score for Median Employee Earnings



Source: SMF Analysis and Annual Survey of Hours and Earnings

One of the key policy questions asked by the report is **to what extent does the business environment matter**, as seen above, Gateway Towns have the highest average score for median employee earnings despite having a below-average local business environment. Do these towns need to improve their local environment despite the town residents having above-average incomes supported by well-paying work in nearby cities? The second highest average score is for vibrant towns, the towns which have the strongest economic fundamentals of skills, infrastructure and business environments with economic self-sufficiency. Surprisingly, the third highest average score for earnings is for Heartland towns, which, like Gateway towns, may benefit from the rise of remote work and provide further economic opportunity instead of commuting into city centres via spending more in their local high streets.

Distribution of Town Types Across Regions

Source: SMF Analysis

Some key insights into the findings of regional distribution have found that regional averages mask significant pockets of deprivation and prosperity in all parts of the country. Referring back to the North-South divide within the findings, this has been proven untrue with a greater proportion of towns in the South East being within the "Opportunity Towns" cluster, than the North East. Meanwhile the North West has a high share of economically vibrant towns whilst the East of England is polarised between vibrant and opportunity towns.

The East Midlands has a majority of Opportunity Towns, followed by Backbone and Gateway towns with Heartland, Vibrant and Foundation towns the least common. The East Midlands can be generalised as having below average skills levels demonstrated in the population of Greater Lincolnshire, aged 16-64, of which **7.4% have no qualifications compared to an average of 6.2% across England**. Moreso, less than half of graduates stay within the region due to poor infrastructure, limiting the ability to access job opportunities, contributing to the problem.

On the other hand, the **West Midlands is primarily made up of Foundation towns, followed by a mix of Heartland, Gateway and Backbone towns with Opportunity and Vibrant towns the least common**, despite this, the West Midlands has more vibrant towns than the East Midlands. However, the West Midlands falls into a similar place with a lack of skills, such as in West Bromwich, implying focus needs to be made on how to upskill the local workforce and draw talent from elsewhere.

Source: Social Market Foundation, 2022

5. Emerging Midlands Strengths

How the Midlands Became Home to the UK's Fastest-Growing Tech Hub

During the 18th century, Midlands innovators working with steam and iron were at the heart of the Industrial Revolution. Today, the region is forging a new breed of pioneers placing technology at the heart of high-growth businesses.

According to a previous 2021 government report, **the West Midlands is the UK's fastest-growing tech sector** due to the high number of tech roles and large volumes of venture capital raised by funding start-ups. **On average, tech growth grew in the region by an annual average of 7.6% between 2014 and 2019 – the fastest in the UK.** Subsequently, this momentum has sustained, with the West Midlands' tech sector forecast to generate more than **£2.7bn** for the local economy by 2025.

Infrastructure Boost

According to Dealroom, there are **more than 1,200 start-ups which call the West Midlands home**, from Coventry to Stoke-on-Trent and from Wolverhampton to Warwick, operating within sectors such as edtech, digitalisation and manufacturing. Moreover, highlighting investor capital into the region, investors provided a record **$494m (£441m)** into the region in 2021, with 2020 attracting more than **$100m (£89m)**.

Amongst them are three unicorns – privately held companies which are valued at **$1bn (£890m)** or more. These include the Solihull-based e-commerce athletic wear company Gymshark and the Alcester-based MedTech business Quanta Dialysis Technologies. Despite the fact that these companies have been around for at least the past decade, the West Midlands is also home to a growing number of early-stage, high-growth start-ups; including Birmingham based electric vehicle subscription service Onto and battery analytics platform Modo Energy. At the same time, **the East Midlands contains over 1,000 start-ups which have managed to attract just under $500m (£447) in 2021**. In these includes the Nottingham-based energy storage start-up, Cheesecake Energy, and Chesterfield-based internet of things (IoT) platform Konektio.

The secret to this growth includes the correct infrastructure, an area where the West Midlands and Birmingham in particular succeed. A successful hub must need a strong talent network to promote innovation and collaboration, making it easier for entrepreneurial activity. **The region supports tech businesses with more than 30 accelerators, incubators and programmes**. Among these are the SciTech Innovation Hub and Warwick Ventures Software Incubator.

Source: UKTech, 2022

Moreover, like in many regional cities, **the cost of workspaces in Birmingham is more competitive than the capital** which is a huge factor when setting up head offices for cash strapped businesses and start-ups. Moreso, the rise of remote working, cities with lower costs have become more appealing options for tech workers. Equally, another aspect of the region is testbeds such as WM5G's 5PRING, the UK's first 5G commercial accelerators provide the connectivity and infrastructure needed for modern business. According to Lloyds Bank's UK Business Digital Index in 2021, **85% of small businesses in the East Midlands had high digital capability** – next to London and the South East. Similarly, **the West Midlands has a high capability ratio of 78%.**

Midlands Tech Talent

A healthy flow of talent is crucial for any business, with the West Midlands succeeding in developing digital skills as demonstrated by Digital Skills bootcamps ran by the West Midlands Combined Authority, equipping residents with digital skills. Another supportive factor is Birmingham containing **a generous pool of younger people, with nearly 40% of its population under 25 years old** – beneficial for start-ups and scale-ups which attract younger demographics.

The West Midlands is home to top universities with specialisms in science, technology, and manufacturing. These are especially vital as academic research often produces spinouts that attract funding and commercialise innovative technology. Likewise, Birmingham has become the epicentre of tech activity holding events such as Birmingham Tech Week or more recently the Commonwealth Games.

Challenges

Even with explosive growth in the Midlands tech sector, **a consistent challenge is that the Midlands and other regions are sill overlooked for London**. In the previous quarter, London-based companies attracted 81% of all venture capital investments, signalling that regional hubs are continued to be neglected by investors.

As for debates around Levelling Up, **Birmingham has seen investment levels fail to recover to their pre-pandemic levels**, whilst businesses in the **West Midlands and North East have been hit the hardest by the cost-of-living crisis.** These businesses will need support from institutions to weather the forecasted recession. Which like other regions, means **the Midlands faces challenges around finance and talent; yet, as more investors come to the region and the rise of a young and diverse workforce emerges, the region is well-placed to overcome these challenges.**

Food and Drink Chain

Midlands Engine Observatory has recently been working with the **Midland Future Food Alliance**, a partnership of universities, businesses, LEPs and other organisations, to develop collateral that **profiles the food and drink sector and wider value chain across the Midlands Engine.** The result is a Midlands [food and drink factsheet] and longer report (to be published soon), which will be used by partners to **highlight the strength of the sector locally.**

Crucially, the publications use a broad definition of the food chain, reflecting the **breadth and diversity of businesses, organisations and sub-sectors that contribute to food production and consumption in the Midlands.**

- **Agricultural and horticultural production**; and **food and drink processing / manufacturing**
- **Food logistics and storage**, including those services associated with international trade
- **Marketing and wholesaling** of food and drink
- **Engineering and machinery suppliers** who support food chain production, **packaging and distribution**
- **Energy, water and waste businesses** who deliver services to the food chain
- **Professional services including technical food services**, accountancy, legal, banking and finance.

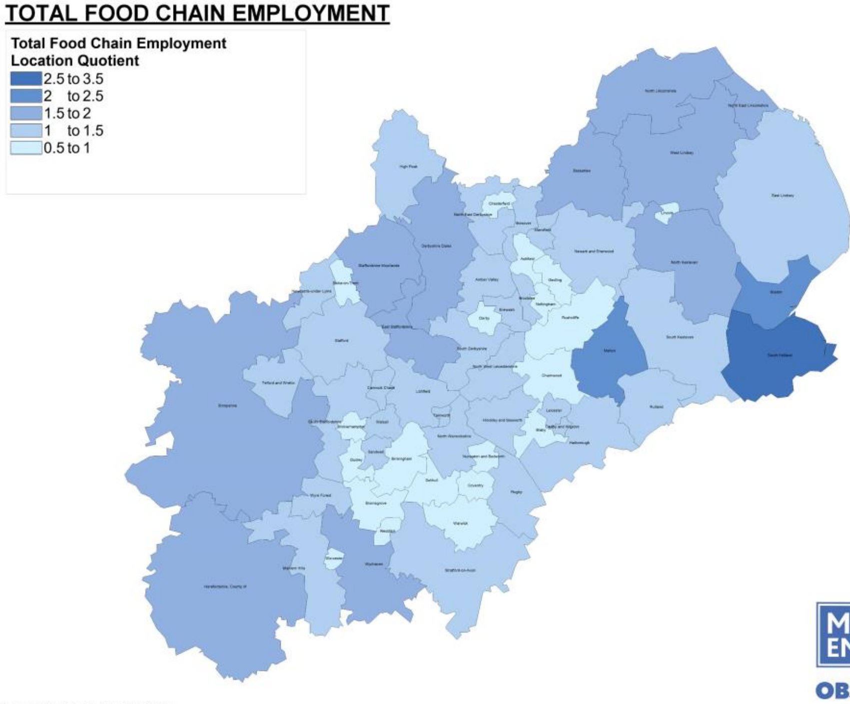
Together, these activities contribute to a **thriving food ecosystem in the Midlands Engine**, as identified in the work:

- There are an **estimated 857,000 jobs linked directly to the food chain in the Midlands Engine region**, equal to 17.6% of all employment. This is a larger proportion than the Great Britain average (16.2%) for the sector, while reflecting that the **Midlands Engine accounts for 17.3% of food and drink jobs in Great Britain.**
- Jobs are estimated as being broken down into the following activities:
  - **214,000 jobs in core commercial production & supply chain**: agriculture, food and drink manufacturing and packaging (21% of the Great Britain total).
  - **485,000 jobs in consumption:** the retail and catering / hospitality of food products (16% of the Great Britain total).
  - **159,000 jobs in relevant enabling activities**, such as freight, engineering services and professional / business services (19% of the Great Britain total).
- In 2020, the **food and drink sector is estimated to have contributed around £32bn GVA to the Midlands Engine** economy, over 13% of the total.
- The Midlands has the **highest farmed area and the highest crop and livestock output of all English regions.**
- While the food chain is a critical economic enabler across many different parts of the Midlands, **Greater Lincolnshire LEP (26.1%) and The Marches LEP (25.6%) are most dependant**, with **one quarter of all their industry employment within the food and drink sector.** This is supported by the map below, providing Location Quotient (the concentration of industries in places) data at the Local Authority level. Strong sector concentration is present in South Holland, Boston, Herefordshire, Shropshire, North Kesteven, West Lindsey, North and North East Lincolnshire.

The future growth potential for the food chain is complex and multi-faceted, but **the Midlands is well placed to respond to most of the major trends, given the breadth, diversity and scale of its food supply chain**. Key drivers of growth include:

- Clean Growth
- Diet and Health
- Trade, import Substitution and Inward Investment
- Supply Chain Reconfiguration
- Automation and Digitisation to Drive Productivity

TOTAL FOOD CHAIN EMPLOYMENT



Nuclear

The nuclear industry is a key strength and opportunity in the Midlands Engine, highlighted in a recent **factsheet produced by Midlands Engine Observatory.**

- Industry research shows that **7.7% of the UK's total nuclear workforce (64,509) is in the Midlands. Almost 5,000 people (4,947) are employed in the civil nuclear sector in the Midlands** according to the Nuclear Industry Association. The majority of these are in the East Midlands (3,967), with a further 980 located in the West Midlands.
- The majority of Midlands' employment in nuclear is within **Rolls-Royce**, with more than 3,000 jobs at their Derby base. Other key employers including **Assystem** (over 200 employees across Derbyshire), **Cavendish Nuclear** (over 300 employees across Leicestershire), and **Goodwin International** (over 300 jobs in Stoke-on-Trent).
- The Midlands hosts important components of the UK's nuclear skills based. Rolls-Royce in Derby is the project lead for the **Small Modular Reactor (SMR) programme** and recently committed to taking on 200 apprentices a year for ten years at its new Nuclear Skills Academy there. Infinity Park, Derby also hosts **Nuclear Advanced Manufacturing Research Centre (AMRC)** Midlands. Meanwhile, Midlands Universities like Birmingham host degree programs in nuclear-related skills.

The government's Energy Security Strategy details plans to significantly accelerate nuclear by up to 24GW by 2050. This represents 25% of projected electricity demand. There are **opportunities for the Midlands to play a more significant role in this through the development and deployment of Small Modular Reactors (SMRs), Advanced Modular Reactors (AMRs) as well as within nuclear fusion with the Spherical Tokamak for Energy Production (STEP**) programme. Regarding the latter, confidence in the sector regionally was boosted considerably in October with the **announcement that the West Burton site (North Nottinghamshire) will be the home of the STEP nuclear fusion energy programme. A**s highlighted in a specific West Burton factsheet, the STEP development will be a driver of **growth and levelling up in Nottinghamshire and the wider area:**

- **Supporting high-skilled, high-wage jobs locally and protecting against jobs displacement**
  - 600+ jobs on site during project operation and up to 3,000 jobs during peak construction. Indirect jobs would further benefit local supply chain and economy.
  - Potential to halt a decline caused by closing coal stations at West Burton A and Cottam.
  - At the centre of a regional ecosystem already emerging in the East Midlands, ultimately supporting thousands of high-quality, high-tech jobs in design, pre-construction, construction, commissioning and operations.
- **Driving STEM education, careers and outreach to develop the STEP workforce of the future**
  - Growing pool of scientists, engineers and technicians in the regional nuclear sector will be attracted to stay in the region.
  - Across North Notts, South Yorkshire and Humber, project partners will work with the White Rose Industrial Physics Academy, a unique partnership between business and our outstanding universities, to secure placements and employment opportunities for talented STEM graduates.
- **Supporting business growth and developing supply chains**
  - STEP will anchor the region's fledgling manufacturing, construction and energy sectors – providing procurement and business growth opportunities for local businesses, and attracting investment and jobs to Bassetlaw.
  - Alongside the well-established East Midlands R&D ecosystem, a significant range of businesses can manufacture components vital in the construction of the STEP project.
  - STEP will strengthen traditional manufacturing, nuclear and construction supply chains while galvanising development of a fusion supply chain in the local area.
- **Pioneering green growth as an integral part of levelling up**
  - Siting the STEP facility at West Burton creates the opportunity of a real-life net zero hub, connected with other major developments locally.
- **Harnessing investment in R&D and clusters to drive growth**
  - STEP will be a key catalyst for innovation-led productivity gains across the region's existing clusters and innovation sites.
  - Major assets demonstrating existing nuclear energy R&D cluster the East Midlands and surrounding areas.
- **Reinforcing local pride in place and area attractiveness**
  - Development at West Burton will increase attractiveness of the area and link with wider developments, particularly related to housing and transport.
  - STEP will make the area economically attractive to new workers and encourage current population in school to stay in the area.

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MIDLANDS ENGINE OBSERVATORY

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