MIDLANDS ENGINE

OBSERVATORY

MIDLANDS ENGINE
REGIONAL ECONOMIC IMPACT MONITOR

EDITION 39: JUNE 2023

Executive Summary

At the halfway point of 2023, **business activity and economic confidence** has evidently recovered somewhat in the Midlands, especially compared to the difficulties of 2022.

- The FSB's West Midlands Small Business Index shows that confidence levels amongst **regional small business owners is at its highest level for a year** and ahead of the UK average, while the **East Midlands is ranked 1st of all UK regions for business confidence in the June version of the Lloyds Bank Business Barometer.**
- The **West Midlands Business Activity Index increased from 52.8 in April 2023 to 54.2 in May 2023**, the strongest increase seen since April 2022. **The East Midlands Business Activity Index decreased from 51.5 in April 2023 to 50.8 in May 2023, but remains on the growth side of the index (above 50).**

This is also reflected in **specific sector reports**, as highlighted in this month's version of the Midlands Engine Regional Economic Impact Monitor. For example, MakeUK report that manufacturers are "experiencing their calmest operating conditions since the inception of the pandemic", with their latest outlook report highlighting **the West Midlands region having the largest improvement in business confidence - which increased by 0.9 points to 6.8 –** and being the **most confident region overall this quarter.** Whereas the **logistics market is particularly strong in the East Midlands,** with CBRE reporting it as the region with the largest take-up in Q1 (36%) and major **investments onstream such as DX's plan for a £12m regional hub near Ilkeston.** There are mixed results for other sectors (including retail) and individual businesses or markets; but overall regional deal activity appears to be holding strong.

Despite this cautious optimism, the **core issues of stubbornly high inflation – still a major concern for businesses – and high interest rates**, described by FSB as a "straitjacket on business investment", are **stunting growth, holding back investment and destroying some businesses' ability to function effectively.**

- According to BDO LLP's bi-monthly Rethinking the Economy survey of 500 mid-market businesses, **over a quarter (27 per cent) of Midlands companies are struggling to finance expansion plans**, with nearly a quarter (**23 per cent) finding it difficult to invest in the technology or software they need to improve the business.**
- More worryingly, **over a fifth (22 per cent) admit that a shortage of funding means they're facing the prospect of having to make redundancies or scale back the business.**

This reflects the importance of **access to finance** for businesses, both for flexibility and reassurance in harder times and for investment and innovation in growth phases. One type of finance, **equity investment to smaller businesses, has been found by British Business Bank to have decreased across the Midlands and wider UK in 2022**, but remains at a relatively stable level. Perhaps more concerningly is the continued **regional disparity of equity finance**, with the **Midlands only receiving around 5% of UK SME Equity Deal value despite accounting for 10% of UK GVA.**

As with every edition, this month's monitor also provides an update on the Midlands' **labour market**, with the latest data showing that it **continues to soften:**

- **Permanent staff appointments in the Midlands declined at their softest rate for six months during May**, according to the latest report on regional jobs from KPMG and REC.
- The latest job postings data from Adzuna shows that the **number of postings across the Midlands dropped 31.6% over the last six months to nearly 1.10 million.**
- Positively, the **number of claimants and youth claimants decreased in May compared to April**: there were **275,345 claimants aged 16 years and over** in the Midlands Engine area in May 2023, a decrease of 5,140 (-1.8%, UK -2.2%). Youth claimants decreased by 1.1% (-580) in the same time period.

In addition, several important **trade and investment** related updates were published recently, with the key findings covered in the monitor. They demonstrate a **positive short-term story of trade recovery and investment success:**

- In the year ending Q1 2023, exports from the **Midlands area were worth £56.8bn and have increased by £9.9bn (+21.2%) since the year ending Q1 2022.** The UK increased by a slower rate, by 17.5%.
- However, more evidence has been published, including from the Centre for Business Prosperity at Aston University and ONS, to demonstrate the **disproportionate impact of Covid and Brexit on Midlands trade in recent years.** For example, between Q3 2019 to Q2 2022, the **Midlands recorded the largest fall in overall exports value for any UK region – a decline of 13% compared to the UK average of 1.9%.** The recent trade uptick provides a strong basis for continued recovery, with further policy and activities identified in the report to drive this further.
- The number of **Foreign Direct Investment (FDI) projects** in the Midlands **increased by 9.5% from 2021-22 to 2022-23, way above the UK increase of 4.1%.** This is the largest number of projects (and jobs created) outside London.

Other releases covered this month include data **that reinforces the Midlands and UK's lagging productivity problem (GVA per hour)**, while highlighting the **positive net impact of international students in the region.**

1. Economic Outlook

Global and National Outlook

Global

US Debt Ceiling

The House of Representatives has approved a deal to allow the US government to **borrow more money after the government was facing defaulting on its debt**. It was expected that the US government would hit its borrowing limit on 5th June, and it would then default on its $31.4tn (£25tn) debt which **underpins the global financial system**. If the government had defaulted it would have meant that the government would have been unable to borrow any more money or pay its bills, so wreaking havoc on the global economy, affecting prices and mortgage rates in other countries.

Steel Tariff Dispute

The EU has rejected a proposed US solution to **end tariffs on steel and aluminium, heightening fears of a renewed transatlantic trade dispute.** The two sides paused a tariff war over measures imposed by then US president Donald Trump in 2021 but must find a binding deal on a new "green steel" club by October. But the EU believes the US's proposed solution is likely to breach World Trade Organization rules because it discriminates in favour of domestic producers. **If the two sides cannot reach an agreement, the US tariffs will kick back in automatically in October — and so will EU retaliatory measures.** The tariffs are 25% on steel and 10% on aluminium from Europe while EU measures target products like bourbon whiskey and Harley-Davidsons.

Eurozone Recession

Investors in German debt are increasing their bets that the **European Central Bank's interest rate rises will push the European economy into a deeper downturn**, as a closely watched recession indicator hit its most extreme level since 1992. The gap between 2-year and 10-year German bond yields, which serve as the eurozone's de facto borrowing benchmark, reached a 31-year low on Tuesday of minus 87 basis points.

National

Supply Chains

According to an in-depth analysis by trade economists released this month, **high-end UK manufacturing that feeds into EU supply chains is going to find itself being increasingly squeezed by the challenges of post-Brexit trade.** Nearly 50 per cent of UK manufacturing exports to the EU are so-called "intermediate" in nature, feeding components into EU supply chains that are then often exported onwards to the rest of the world as finished products. UK global exports in the first three months of 2023 were still 17 per cent below the levels before the EU-UK trade deal came into force three years ago.

Thames Water in Crisis

The UK government is on standby for the potential collapse of Thames Water and ministers are **examining options including the temporary nationalisation of the debt-laden business.** Defra, the environment ministry, is holding emergency talks with industry regulator Ofwat to examine contingency plans in case the country's largest water company is unable to raise private finance in the coming weeks.

Doctor Strikes

Senior doctors working in the NHS in England have **voted to strike next month**, as the main nursing union failed to secure a mandate for further industrial action. The British Medical Association, the doctors' union, said on Tuesday that **consultants would walk out on July 20 and July 21 after 86 per cent voted for strikes on a 71 per cent turnout.**

School Infrastructure

A National Audit Office report has warned that **almost 1 in 10 pupils in England is studying in schools that require rebuilding or refurbishment following years of under-investment,** according to the UK's public spending watchdog. The NAO warned that the condition of English school buildings was "declining" after a decade in which funding for repairs and reconstruction was less than half the amount requested by the Department for Education from the Treasury.

Boots

Boots will close 300 stores in the UK (and a further 150 Walgreens branches in the US) over the next year as parent company Walgreens Boots Alliance seeks to "optimise" locations. The Pharmacy group slashes earnings forecast as market softens and customers tighten belts. In the UK, Boots said it would continue to refurbish and consolidate stores that are close to each other over the next year. No redundancies have been proposed and all affected staff will be offered work at nearby stores.

Climate Change

The UK has "lost its global leadership" on climate action, according to the government's independent climate advisers, the Climate Change Committee (CCC), as a **lack of ministerial initiative meant the country was making "worryingly slow" progress on cutting carbon emissions.** In its annual progress report to parliament published on Wednesday, the CCC said it had "markedly less" confidence than it did last year that the UK's climate targets from 2030 onwards would be met, blaming weak leadership for the "inertia".

Policy Considerations

THEME	KEY INSIGHTS
Outlook	• Some business activity measures continue to **suggest an economic recovery in the first half of 2023.** The FSB's West Midlands Small Business Index shows that confidence levels amongst **regional small business owners is at its highest level for a year** and ahead of the UK average, while the East Midlands Small Business Index suggests a **significant confidence bounce back despite still being in negative territory.** • The latest survey (covering Q1 2023) shows that, in the West Midlands, confidence levels have entered positive territory (+7%) for the first time since the beginning of 2022 and the **West Midlands is the most optimistic of all UK regions.** The East Midlands stands at -14%, which is a **large recovery from -48% in the last quarter.** • While the latest Business Barometer from Lloyds Bank showed that **business confidence increased in June in both the East Midlands (from 17% to 52%) and West Midlands (from 30% to 36%). This puts East Midlands in 1st place for UK regional business confidence.** • But barriers highlighted in the research reflect the core issues of **stubbornly high inflation** – still a major concern for businesses – and **high interest rates**, described by FSB as a "straitjacket on business investment." According to BDO LLP's bi-monthly Rethinking the Economy survey of 500 mid-market businesses, **over a quarter (27 per cent) of Midlands companies are struggling to finance expansion plans**, with nearly a quarter (**23 per cent) finding it difficult to invest in the technology or software they need to improve the business.** • More worryingly, **over a fifth (22 per cent) admit that a shortage of funding means they're facing the prospect of having to make redundancies or scale back the business.** • Regional businesses therefore seek certainty and direction on these macroeconomic metrics, as the current situation is **limiting growth and investment while forcing some businesses to scale down or close completely.** • But some research is more **cautiously positive**: according to research from the Midlands branch of R3, the UK's insolvency and restructuring trade body, Midlands start-ups in both the East Midlands and West Midlands rose last month.
Trading Conditions	• **High and increasing costs continue**, with various examples all affecting operational costs and cashflow, reducing margins and stunting growth: - **Energy:** Examples of businesses with fixed contracts ending, with one seeing annual electricity bills set to rise from £8k to £31k and another being quoted 87p kwh, up from 12p kwh. Solar PV and LED fixtures are however seeing significant reductions in bills. - **Staff:** Salaries increased by some employers sooner than they had planned in order to retain and attract staff. An ongoing issue. - **Materials:** Various reports of increases in materials costs. Wood/Timber up 25% since the pandemic and glass prices increasing by 50%. Steel prices still 40% higher than before the pandemic although are decreasing. • **Planning Delays:** Delays with the planning process are putting expansion plans at risk. Businesses are calling for a review of out-of-date planning processes that are not fit to compliment the current economic situation. • EY's latest UK Attractiveness Survey (for 2023) shows that **the number of Foreign Direct Investment (FDI) projects in the East Midlands increased from 39 to 48 in the last year**, 1 of only 4 regions to report an increase. The region was also **ranked third in the English regions for the % of investors that would see it as the most attractive region to establish operations**. • In terms of projects, the West Midlands dipped (by 5.1% to 74) in 2022, although the region still **maintained its title as the second-best performing region in England.** This analysis is separate to official Department for Business and Trade data, presented later in this monitor.
Labour Market	• **Permanent staff appointments declined at their softest rate for six months during May, according to a report from KPMG and REC**. The KPMG and REC, UK Report on Jobs: Midlands showed that the **number of people placed into permanent roles across the Midlands fell for the sixth successive month in May, though the rate of contraction eased from that seen in April to the softest in the current sequence.** Temp billings meanwhile, fell at a stronger pace than that experienced in April. Recruiters signalled an improvement in candidate supply for both permanent and temporary roles during May.

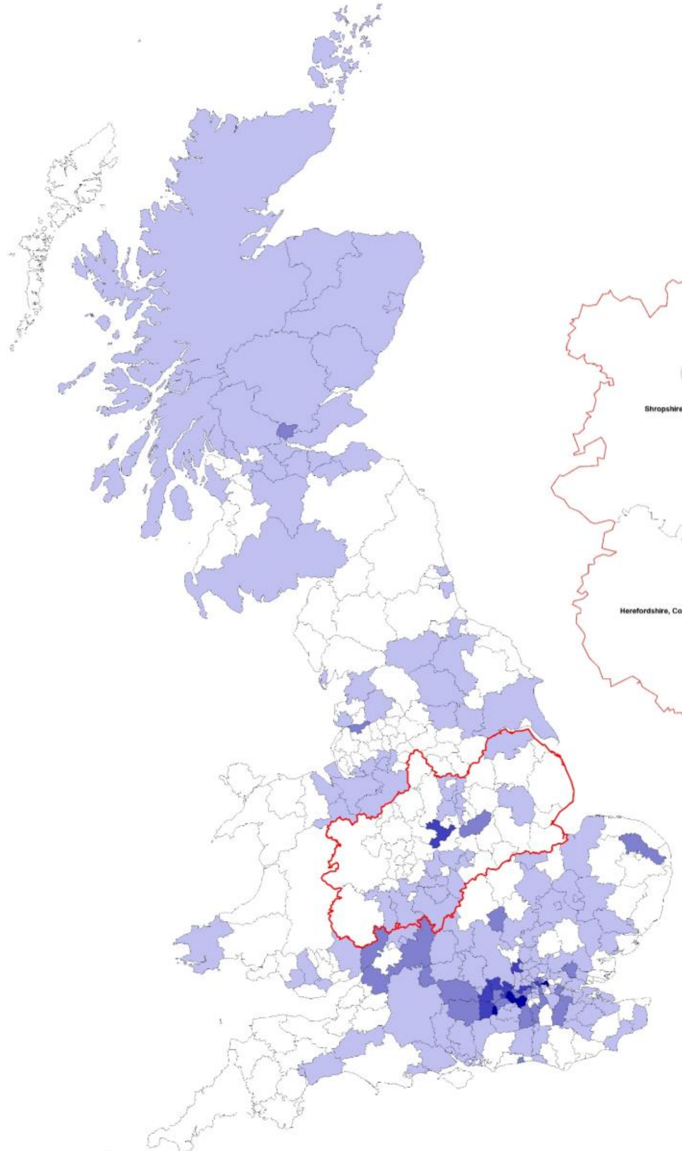
2. Economic and Labour Market Impacts

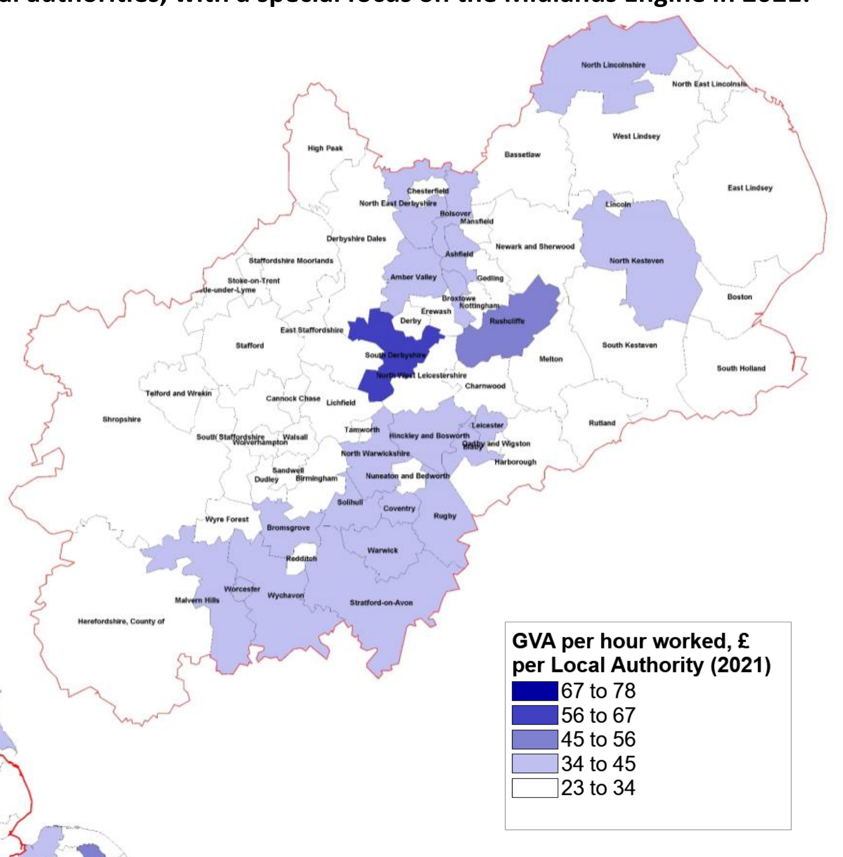
Midlands Engine Productivity

GVA per Hour Worked

- In 2021, **unsmoothed GVA per hour for the overall Midlands Engine area was £33.80**. Since 2020, the Midlands Engine area **decreased by 0.5%** (-£0.17), **the UK decreased by 0.8%** (-£0.32). **When compared to 2019, GVA per hour in the Midlands Engine area increased by 7.0%** (+£2.21) while the UK increased by 6.9% (+£2.50). In 2021, UK unsmoothed GVA per hour was £38.68 meaning the Midlands Engine area had a **shortfall of £4.88.**
- The UK smoothed GVA per hour was £38.33 in 2021. Within the Midlands Engine, **9 local authorities were above the UK figure** with South Derbyshire the highest at £62.89.
- Since 2020, UK smoothed GVA per hour increased by 1.5%. Within the Midlands Engine, 8 local authorities decreased in smoothed GVA per hour, the highest value decrease was in Melton by £0.76 down to Charnwood and East Staffordshire, both falling by £0.03 (other local authorities include; North West Leicestershire, Staffordshire Moorlands, Rugby, Stratford-on-Avon and Solihull). Cannock Chase remained at the same level. At the other end of the scale, where **56 local authorities increased**, South Derbyshire had the largest rise by £2.18 which was followed by Bromsgrove with £1.65 (to £40.07).
- **When compared to 2019**, UK smoothed GVA per hour increased by 4.5%. Within the Midlands Engine, 7 local authorities decreased in smoothed GVA per hour, the highest value decrease was in Melton by £1.03 down to East Staffordshire falling by £0.19 (other local authorities include; North West Leicestershire, Rugby, Stratford-on-Avon and Solihull). At the other end of the scale, where **58 local authorities increased**, South Derbyshire had the largest rise by £6.44 which was followed by Bromsgrove with £4.51.

Smoothed GVA per hour worked across all local authorities, with a special focus on the Midlands Engine in 2021:





Source: Office for National Statistics (ONS),
[Subregional productivity in the UK: June 2023]
Please note, the data is classified as Experimental Statistics.

GVA per hour worked divides GVA by the total hours worked by the workforce in the area.

An overall Midlands Engine figure has been calculated and is only available on an unsmoothed basis.

Business Activity

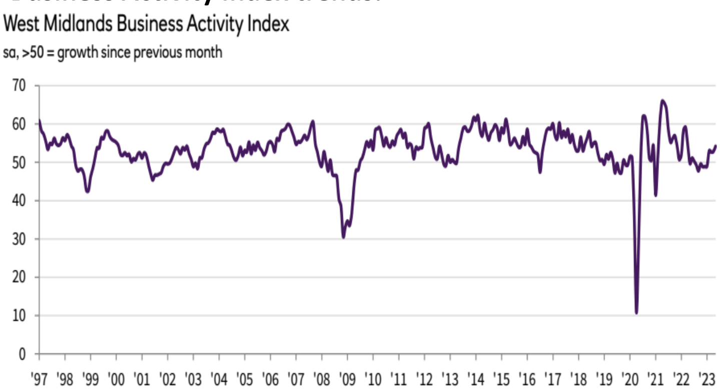
Business Activity Index

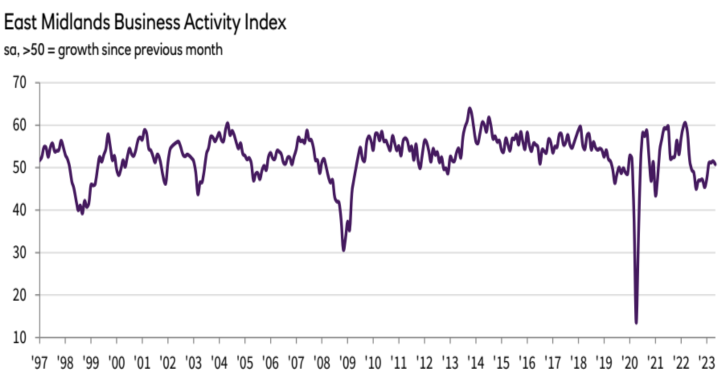
The **West Midlands Business Activity Index increased from 52.8 in April 2023 to 54.2 in May 2023**, the strongest increase seen since April 2022. Business activity growth was linked to better sales, capacity growth, favourable demand environment and publicity.

The East Midlands Business Activity Index decreased from 51.5 in April 2023 to 50.8 in May 2023, the fourth consecutive month to increase but was the weakest increase in this sequence of growth. East Midlands firms still reported greater business activity from a sustained increase in new orders.

The UK Business Activity Index decreased from 54.9 in April 2023 to 54.0 in May 2023.

Business Activity Index trends:





Source: NatWest West Midlands & East Midlands PMI, June 2023

Of the 12 UK regions, the West Midlands region was the third highest and the East Midlands was fourth lowest for the Business Activity Index in May 2023.

Demand

The **West Midlands New Business Index decreased from 54.0 in April 2023 to 53.8 in May 2023**. Despite the decline this is the fourth consecutive month for rises in new business intakes. The **East Midlands New Business Index increased from 50.8 in April 2023 to 51.2 in May 2023**, the fourth consecutive month to increase and the second fastest growth since March 2022. For both regions, the rise in new work was linked to greater demand and increased customer referrals.

Exports

The **West Midlands Export Climate Index decreased from 53.1 in April 2023 to 52.6 in May 2023**. The **East Midlands Export Climate Index decreased from 53.3 in April 2023 to 52.5 in May 2023**, For both regions, the latest figures continue to show improvements in the export climate.

Business Capacity

The **West Midlands Employment Index decreased from 52.6 in April 2023 to 52.1 in May 2023**. The **East Midlands Employment Index decreased from 52.0 in April 2023 to 51.4 in May 2023.**

The **West Midlands Outstanding Business Index decreased from 48.3 in April 2023 to 46.8 in May 2023.** The **East Midlands Outstanding Business Index increased from 45.9 in April 2023 to 48.2 in April 2023.** The 6th and 8th consecutive month respectively under the 50-mark threshold.

Prices

The **West Midlands Input Prices Index decreased from 63.9 in April 2023 to 63.5 in May 2023.** The **East Midlands Input Prices Index increased from 66.7 in April 2023 to 66.9 in May 2023.** The figures still show sharp input costs but the rate of inflation has eased for the sixth month in a row for both regions.

The **West Midlands Prices Charged Index decreased from 60.3 in April 2023 to 58.6 in April 2023**. The **East Midlands Prices Charged Index decreased from 60.6 in April 2023 to 58.9 in May 2023.**

Outlook

The **West Midlands Future Business Activity Index increased from 76.5 in April 2023 to 78.5 in May 2023.** The latest reading is at a 16-month high. Optimism in West Midlands firms for the upcoming 12 months was linked to poor competitor performance, new clients, advertising, expanded capacities and investment in technology.

The **East Midlands Future Activity Index decreased from 72.9 in April 2023 to 71.1 in May 2023.** East Midlands firms remain optimistic, but confidence dropped to a three-month low. East Midlands firms were optimistic for the next 12 months due to hopes of greater client demand and planned investment in new products and machinery.

Out of the twelve UK regions, **the West Midlands was the highest** and the East Midlands was sixth highest for the **Future Business Activity Index** in May 2023.

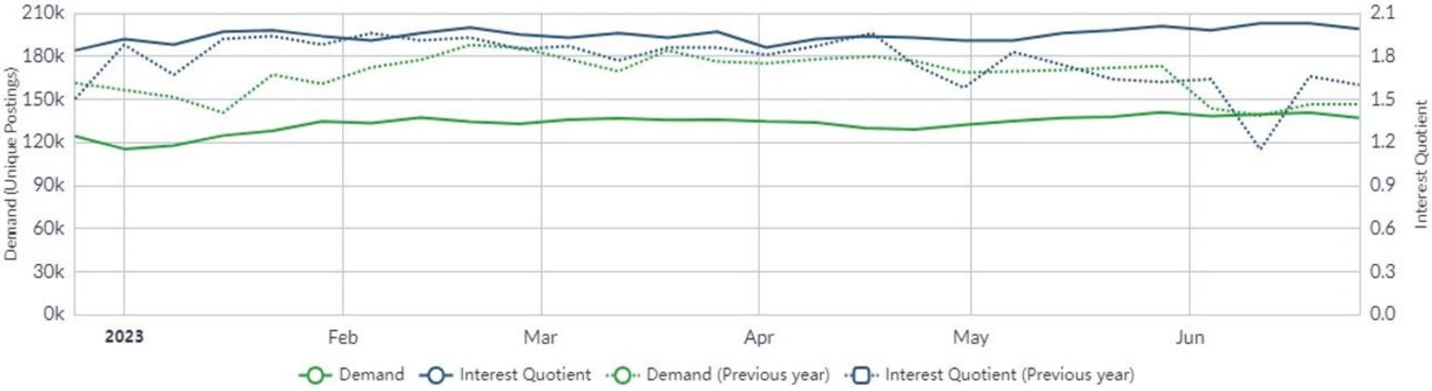
Source: NatWest: UK regional PMI report for May 2023, released June 2023.

Labour Market and Job Postings

The latest data shows that the labour market continues to soften. The employment rate is up by 0.2 percentage points on the quarter to 76.0% (a record high for people in employment), whilst unemployment is still just below 4% although there are signs that it is beginning to increase. More troubling, **the number of people out of work due to long-term health conditions increased to a record high**. However, labour demand is continuing to hold up and earnings growth remains strong, at around 7%.

The latest job postings data shows that the **number of postings across the Midlands dropped 31.6% over the last six months to nearly 1.10 million**. Despite employer demand narrowing, those seeking work - wanting a job, currently remains heightened.

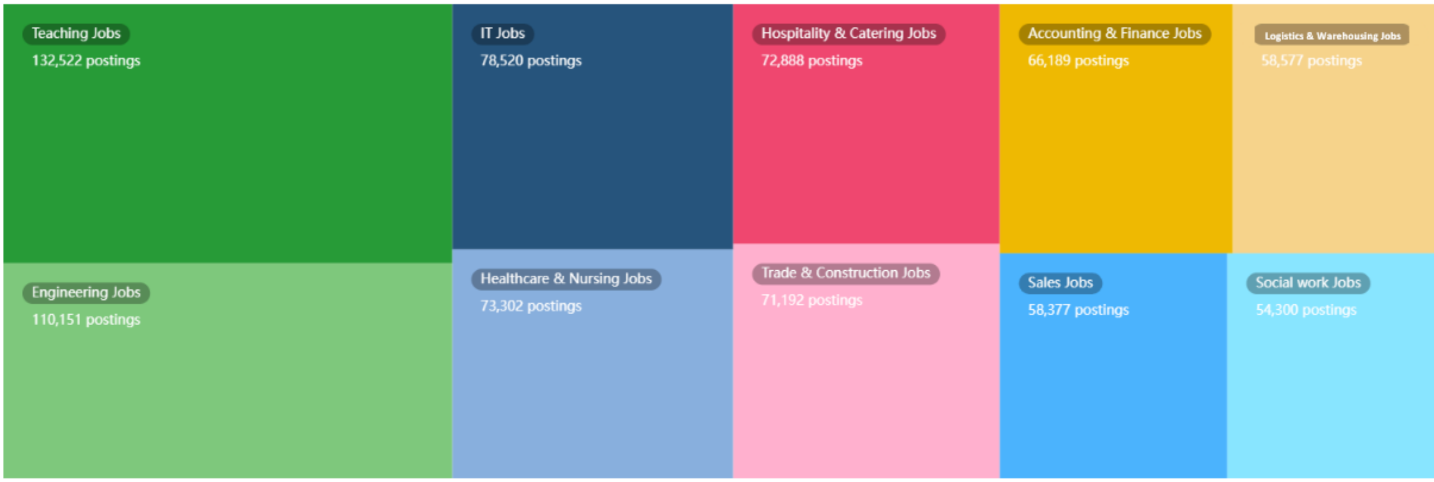
Overall Demand and Interest for the Midlands:



Nevertheless, **advertised median salary across the Midlands has increased by 8.3%** year-on-year to £30,053; 4.6% below the national median advertised salary of £31,505.

Salary Trends for the Midlands:

Sectors Hiring in the Midlands:



Job posting demand was greatest for roles in teaching, engineering and IT. These sectors accounted for almost 30% of all job postings in the last six months.

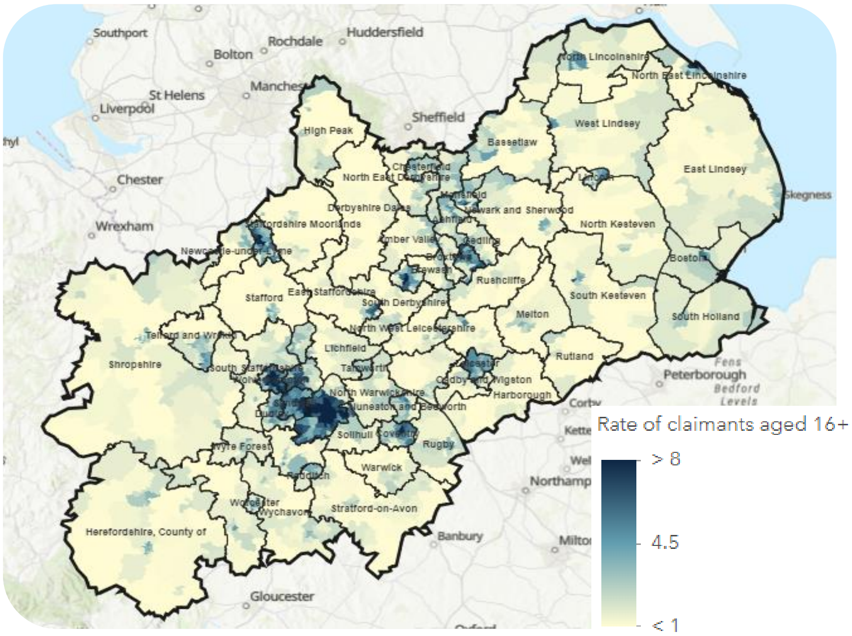
Source: Adzuna Limited Job Posting Intelligence, Accessed June 2023. The Interest Quotient uses jobseeker data to quantify the level of interest in particular roles.

Labour Market Impacts: Claimants

There were **275,345 claimants aged 16 years and over** in the Midlands Engine area in May 2023, a decrease of 5,140 (-1.8%, UK -2.2%) claimants since the previous month. **There are 53,805 (+24.3%, UK +22.1%) more claimants when compared to March 2020**. East Lindsey, North East Lincolnshire, North Lincolnshire and West Lindsey had lower levels of claimants than March 2020 (-1,085, -300, -90 and -60 respectively).

The number of claimants as a percentage of residents aged 16 years and over was 3.3% in the Midlands Engine and 2.8% for the UK in May 2023.

Claimants as a Percentage of Residents Aged 16 Years and Over in May 2023:



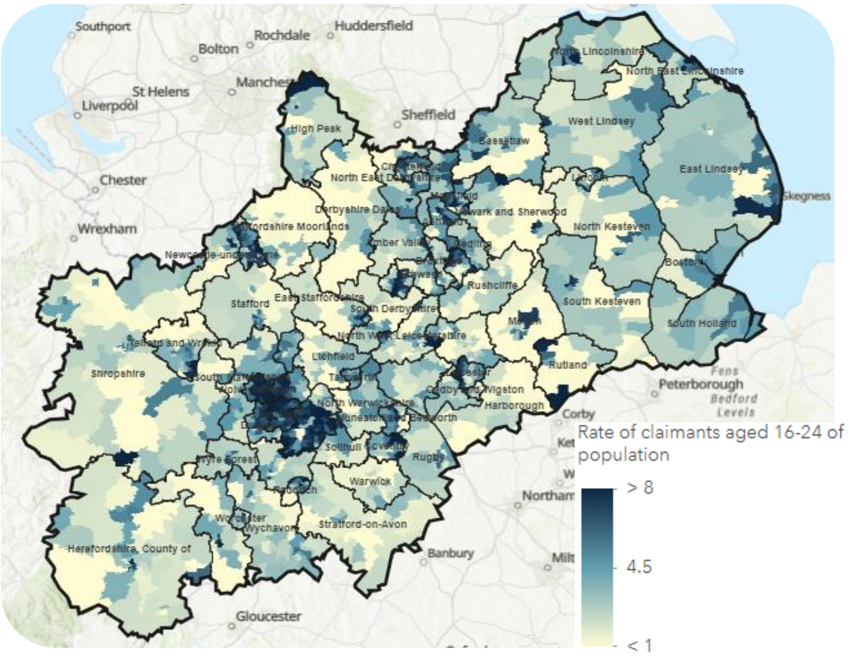
Out of the 1,511 wards within the Midlands Engine, 453 were at or above the UK average of 2.8% for the number of claimants as a percentage of the population aged 16 years and over in May 2023.

The wards with the highest number of claimants as a percentage of the population were based in Birmingham, with Handsworth the highest at 15.3%. This was followed by Lozells at 15.2% and Aston at 14.9%. In contrast, the lowest proportion was in Keele (Newcastle-Under-Lyme) at 0.1% in May 2023.

There were **50,785 claimants aged 16-24 years old** in the Midlands Engine area in May 2023 – a decrease of 580 youth claimants since April 2023. This equated to a decrease of 1.1% for the Midlands Engine area (UK -1.7%). Since March 2020, **the number of youth claimants has increased by 5,035** (+14.9%, UK +10.8%). Notably, 14 local authorities had lower levels than March 2020.

The number of claimants as a percentage of residents aged between 16 and 24 years old was 4.5% in the Midlands Engine and 3.8% for the UK in May 2023.

Claimants as a Percentage of Residents Aged 16-24 Years in May 2023:



Out of the 1,511 wards within the Midlands Engine, 635 were at or above the UK average of 3.8% for the number of claimants as a percentage of the population aged 16 – 24 years and over in May 2023.

The ward with the highest the number of claimants as a percentage of the population was Newgate (Mansfield) at 15.9%. This is followed by Portland (Mansfield) at 14.9% and Handsworth (Birmingham) at 13.9%. In contrast, within the Midlands Engine there were 111 wards with no youth claimants in May 2023.

Source: ONS/ Department for Work and Pensions, June 2023.

Located on the Midlands Engine Hub is an [Interactive Claimant Count Briefing] containing further analysis, maps and a dashboard.

The Benefits and Costs of International Higher Education Students to the UK Economy

London Economics is one of Europe's leading specialist economies and policy consultancies, this is the third iteration of their research looking at the **economic benefits to the UK of hosting so many international students in higher education.**

Economic benefits of international students within this analysis were estimated in terms of:

- **Tuition fee income generated** by international students studying in the UK, as well as the knock-on effects throughout the economy associated with UK universities spending.
- Income associated with the **non-tuition fee (i.e., living cost)** expenditure and the subsequent knock-on effects on the wider economy.
- **Income associated with friends and family visiting** international students whilst studying in the UK and, again, their knock-on effects.

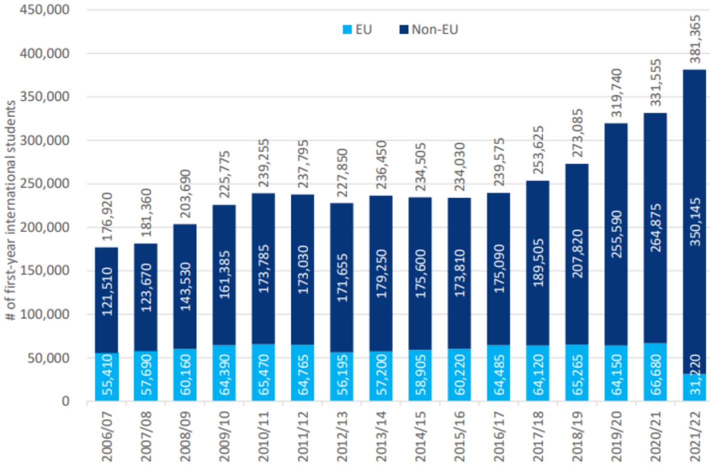
Previously, the original version of the research showed that, in 2015/16, the gross benefits from just one cohort of overseas students amounted to **£26.3bn** and the net benefits were **£23.6bn** (figured updated to 2021/22 prices). The second version showed that for the 2018/19 cohort the benefits were **£31.3bn (gross)** and **£28.2bn (net)**. The third report on the other than shows that the benefits associated with the 2021/22 cohort are much higher still, at **£41.9bn (gross)** and **£37.4bn (net).** Approximately £3.9bn of this net impact was associated with EU domiciled students, whilst the remaining £33.5bn was generated by non-EU domiciled students.

Thus, in 2021/22 there were **679,970** international students studying for qualifications at higher educations across the UK – **equivalent of 24% of all HE students that year**. This analysis only looks at approximately 381,000 international students who *commenced* their studies in 2021/22. Thus, the estimated total benefit to the UK economy associated from first-year international students over the duration of their studies was approximately **£41.9bn**, with estimated total costs of **£4.4bn** – implying a benefit-to-cost ratio of **9.4**.

Moreover, **the net economic impact per student was estimated to be £125,000 per EU domiciled student, and £96,000 per non-EU student**. This meant that every 9 EU students and 11 non-EU students generate £1m worth of net economic impact for the UK economy over the duration of their studies. This economic impact is spread across the entire UK, with **international students making a £58m contribution to the UK economy per parliamentary constituency; equivalent to £560 per member of the resident population** across the duration of their studies.

Source: London Economics, May 2023

International first-year students enrolled in UK HE, 2006/07 to 2021/22

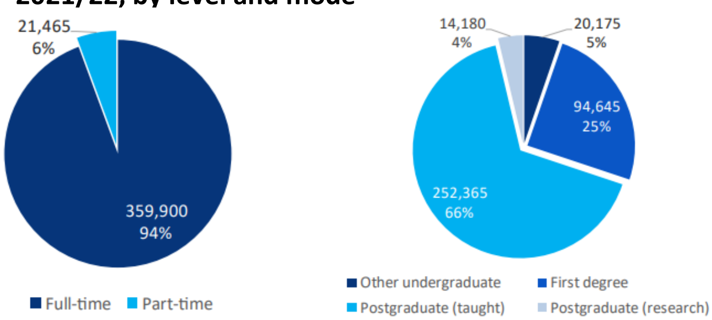


Source: London Economics' analysis of HESA (2023)

Approximately **92% (350,145) of international first-year students in 2021/22 were domiciled outside the EU** (a 68% increase since 2018/19), with **only 8% (31,220) were domiciled within the EU** (a 52% decline since 2018/19, as from 2021/22 onwards, EU students without settled status starting qualifications in the UK typically require a student visa and are no longer eligible to pay 'home' fees or receive public tuition fee support).

In terms of specific non-EU countries associated with student numbers, **China remains the largest 'sender' with approximately one in four international students** (99,965 first year-students). **India (87,045) and Nigeria (32,945) are the next most prolific. EU domiciled students tend to come from Ireland (4,415), France (4,355) and Germany (3,695).**

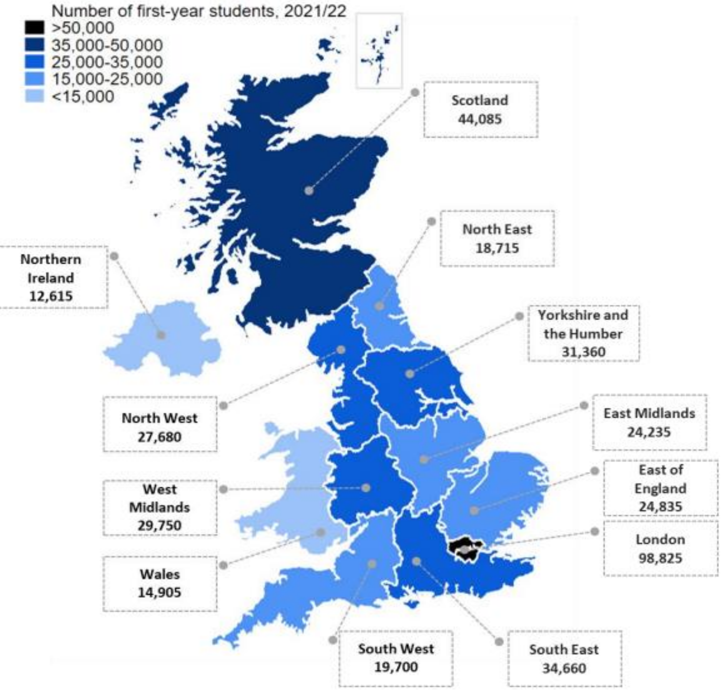
International first-year students enrolled in UK HE in 2021/22, by level and mode



Source: London Economics' analysis of HESA (2023)

Out of all students, **94% of international students engaged in full-time study**, whilst only 6% studied part-time. Shockingly, **66% (252,365) of international students were undertaking taught postgraduate degrees**, with a further 4% (14,180) undertaking postgraduate research degrees. Around 30% (114,820) of students were engaged with undergraduate qualifications, of which 25% (94,645) were taking first degrees and 5% (20,175) were enrolled in other undergraduate qualifications.

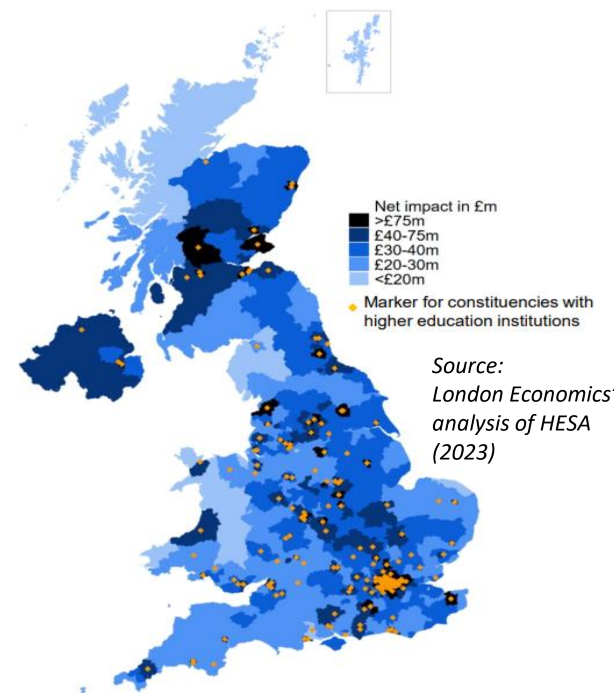
Number of international first-year students in 2021/22



Source: London Economics' analysis of HESA (2023)

Regionally, the 2021/22 cohort are spread across the entire UK – with all regions seeing strong increases in numbers of first-year international students. In England, **there were approximately 98,825 (40%) first-year students enrolled with London-based higher education institutions**, with a further **34,660 (21%)** attending institutions in the South East. **The Midlands had 53,985 international students combined (24,235 (28%) in the East and 29,750 (27%) in the West) making it highest region outside of London and all devolved nations.**

Net Impact associated with the 2021/22 cohort

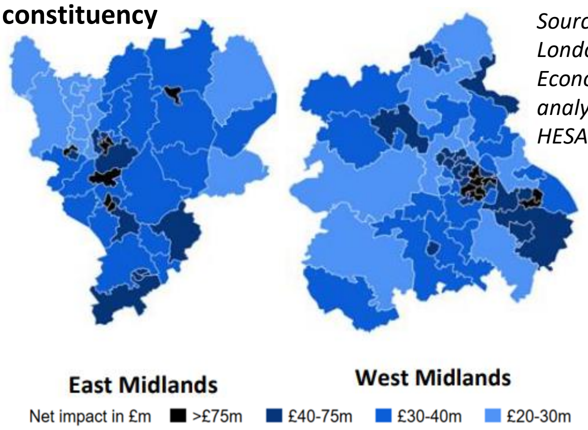


Source: London Economics' analysis of HESA (2023)

Source: [London Economics, May 2023]

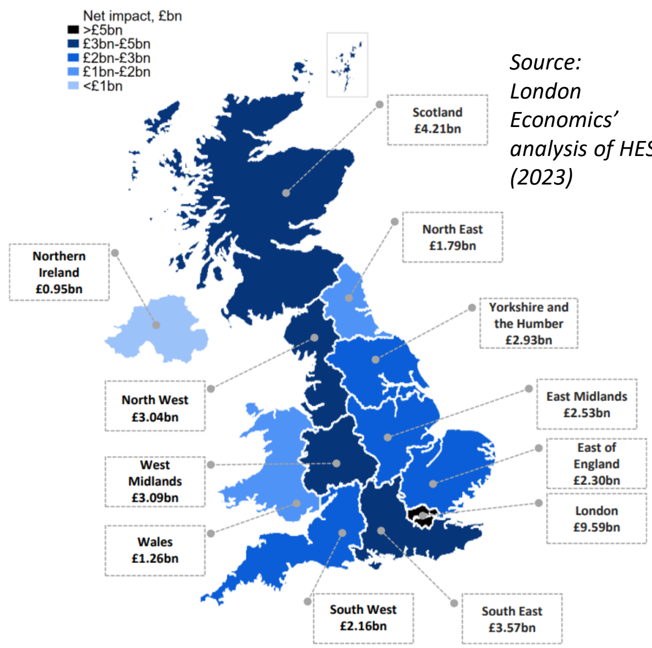
The average impact was highest for parliamentary constituencies in London (with an average net impact of **£131m per constituency and £1,040 per resident**). **In the Midlands, this amounted to £55m net impact per constituency in the East Midlands and £52m in the West Midlands – both regions had £500 average net impact per resident.** Reflecting student numbers, the top 20 parliamentary constituencies include Glasgow Central (3,060 first-year students) as the highest impacted constituency providing a total net impact of £292m and £2,720 per resident. Two constituencies in the Midlands also make the list; **Nottingham South as fourth (2,600 students with a total net impact of £268m, and £2,190 per resident) and Ladywood, Birmingham as seventeenth (1,965 students with a total net impact of £204m, and £1,340 per resident).**

Total net impact on the UK by parliamentary constituency



Source: London Economics' analysis of HESA (2023)

Net impact associated with the 2021/22 cohort, by location region of higher education institutions



Source: London Economics' analysis of HESA (2023)

London (£9.59bn) benefited the most from net impacts associated with the 2021/22 cohort, whilst combined **the Midlands was second receiving a total £5.6bn.**

3. Business Environment

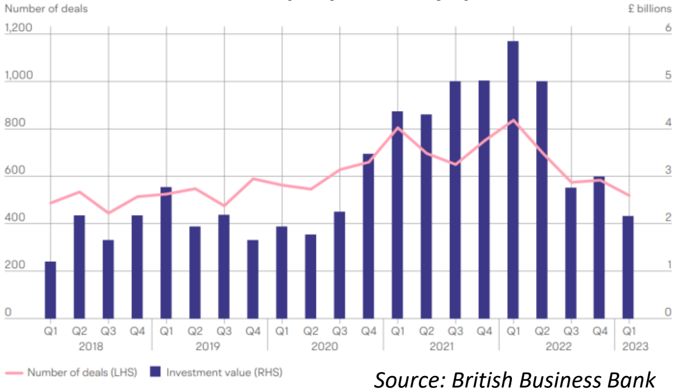
Small Business Equity Tracker 2023

The British Business Bank's small business equity tracker provides a comprehensive picture of equity funding conditions for smaller businesses across the UK.

Recent Trends in SME Finance

Looking into recent trends for SME finance; 2022 was a year of two halves with record investment in the first half of the year, followed by a sharp and clear turning point around **mid-year when investment was down 47% by 2022 Q4** due to concerns about potential over-valuations and a more challenging exit environment, as well as rising inflation and interest rates. Despite this, **£17.6bn of equity finance was raised across 2,702 deals (a 7% decrease from 2,912 deals in 2021)** representing the first annual drop in equality equity deal volumes since Beauhurst began tracking this data in 2011. **Total investment value in 2022 also declined by 11%**, from a record **£18.8bn in 2021 to £16.7bn in 2022**. **Growth stage investment also fell by 25% to £8.2bn in 2022**; 54% lower in comparison to the first and second halves of the year.

Number and value of equity deals by quarter



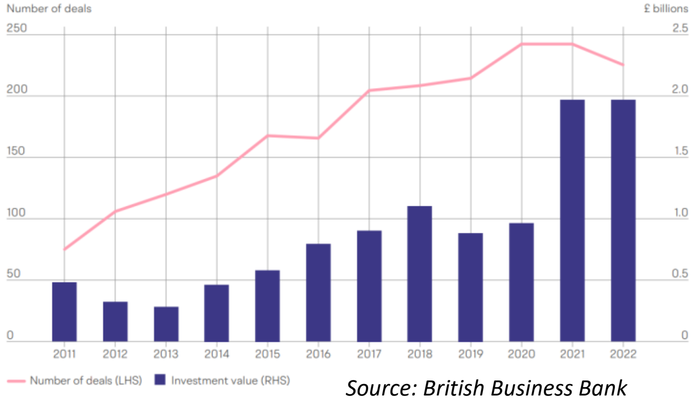
Source: British Business Bank

This downturn continued into the first three months of 2023, where £2.2bn was raised by UK SMEs – a drop of 28% investment compared to the last quarter of 2022. Recent VC fund manager surveys indicate that at least a moderate decrease in VC funding over the next year, further indicating the market is returning to levels of equity finance seen in 2020. Although it is too early to tell how this decline in activity will go on for, in contrast to other downturns in the UK now has a broader, deeper equity finance market to support future recovery.

Regionally, in 2022, **London had the highest number of deals at 1,357** (-5% since 2021) which were **valued at £10.8bn** (-12% since 2021). On the other hand, **the worst performing region was Northern Ireland**, receiving **34 deals in 2022** (-17% since 2021) **valued at £94m** (+39% since 2021). **At the same time the East Midlands had 58 deals (-3% since 2021) valued at £98m (-37% since 2021) whilst the West Midlands had 76 deals (-10% since 2021) valued at £276m (-22% since 2021).**

Moving forward, there are promising spots within the market such as record investment in university spinouts. In 2022, **spinouts raised £2bn equity finance accounting for 12% of the total UK investment during the year**. Deals received by these companies were **on average sized at £8.9m** and thus 33% larger than the UK average.

Number and value of university spinout deals over time



Source: British Business Bank

Female founded companies continued to receive a higher share of equity deals, **reaching a record 9% in 2022, up from 6% in 2021**, while businesses with at least one female founder received **27% of deals** – the highest proportion on record. Nevertheless, **the 2% share of deal value received by all female founded teams represented no improvement over the past decade.**

British Business Bank Activity

Although the Bank's overall share of equity finance has fallen slightly in 2022, it remains more likely to invest in tech companies and university spinouts than the wider market. Nevertheless, **the Bank's equity programmes supported around 13% of all equity deals and 15% of total investment deals between 2020 and 2022.**

The **British Business Bank supported funds are also more likely to undertake deals in seed (42%) and venture (46%) stage companies compared to the overall market**. Similarly, these funds were more likely to invest into Technology / IP-based businesses than the overall equity market – 48% of the Bank's deals from 2020 to 2022 were in these businesses, 6 percentage points higher than the overall equity market (42%). Meanwhile software accounted for 30% of the Bank's deals, 6 percentage points higher than the overall market.

Regionally, and compared to the wider market, **the Bank allocates a greater share of equity deals to eight of the twelve UK nations and regions including London** (50.3%), **East of England** (7.5%), **North West** (7.0%), **South West** (5.5%), **West Midlands** (4.2%), **Yorkshire and Humber** (4.3%), **Northern Ireland** (3.3%), and the **East Midlands** (2.1%).

Source: British Business Bank, June 2023

Proportion of Equity Deals by Nation and English regions, 2020-2022

	British Business Bank	Overall Equity Market	Wider PE/VC market
London	50.3%	48.5%	46.8%
East of England	7.5%	6.7%	5.5%
South East	7.2%	9.7%	11.8%
North West	7.0%	6.0%	9.0%
South West	5.5%	5.0%	5.5%
Scotland	5.0%	8.9%	4.8%
West Midlands	4.2%	2.8%	2.5%
Yorkshire and The Humber	4.3%	3.3%	4.6%
Northern Ireland	3.3%	1.3%	1.0%
North East	1.9%	3.3%	3.2%
Wales	1.6%	2.6%	3.0%
East Midlands	2.1%	2.0%	2.3%

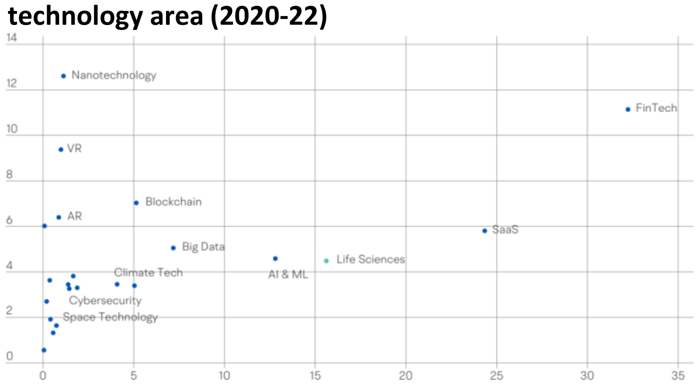
Source: British Business Bank

Overrepresentation in London reflects the Bank's focus on the technology sector across some of the Bank's key products. However, the activity of the bank's regional programmes including the NPIF (Northern Powerhouse Investment Fund), MEIF (Midlands Engine Investment Fund) and CIoSIF (Cornwall and Isle of Scilly Investment Fund) is also highlighted through its concentration of deals in the North West, Midlands and the South West compared to the wider market. The NPIF and MEIF participated in 8% and 14% of all deals in the North and Midlands respectively, whilst the CIoSIF fund supported 33% of all deals in the LEP area in 2022.

UK Strengths & Opportunities in Breakthrough Technologies

The UK has scaled a number of technology sectors through its R&D and VC ecosystem, including FinTech, Software, Life Sciences and AI.

Share of UK VC and UK global VC market share, by technology area (2020-22)



Source: British Business Bank

Life Sciences is a particular a sector the UK has scaled through its VC ecosystem, building on a strong R&D foundation, to become one of the UK's largest deep tech verticals. **Investment in the sector rose fivefold in the five years to 2021, before dropping to £3bn in 2022**. Before this, **the sector raised more than £10.5bn from UK Life Sciences firms** during 2020-22 – more than that of Germany, France and Canada combined. The sector has matured over the past decade with **valuations rising threefold to £6.7m** (above average across all sectors).

Life Sciences include our key sub-sectors: therapeutics, diagnostics, medical devices and digital health. Out of these, therapeutics has been the largest sub-sector receiving **£10.1bn across the 2017-22 period**, Digital Health being the largest growing sub-sector, with VC **growth of over 150% including key deals such as a £260m investment in Cera**. Credit can be provided to the UK having two of the top five universities (Oxford and Cambridge) globally for Life Sciences and ranks first among leading VC markets for the quality of research within this field. However, the US is the largest market – but its market share has been on a decline. **The UK market share remains stable at around 5% and is the third largest internationally behind the US and China.**

Opportunity wise, nanotechnology is a cross-cutting enabling technology which is finding applications across a range of traditional industries and deep tech sectors – from advanced materials, to semiconductors, drug delivery and renewable energy systems. As a result of this, global VC investment growth in the sector is high, over 130% when comparing 2020-22 to 2017-19, yet **the UK is outpacing this growth with an increase of funding of over 220% in the same period**. In the UK there are around **100 active start-ups which are receiving record levels of investment, raising £0.75bn between 2020-22 across 172 deals**. The UK has upheld a global high market share in the sector over the past decade making it the **third largest market** for nanotechnology in the world accounting for **13% of VC investment in 2020-22.**

Traditionally Space Technology has largely been a government-funded sector. However, the industry is beginning to enter an era of commercial innovation with lower costs (and the leverage of enabling technologies) promising to facilitate investment in new areas such as space tourism, in-space manufacturing, geospatial intelligence and renewable energy **raising global VC funding to a global high of £4.7bn in 2022**. Moreover, **Space Technology was one of the fastest growing sectors in 2020-22** – ahead of AI, Cleantech and Fintech with recent growth areas **including small satellites, which exceeded £2bn in VC in 2022**. This provides an opportunity as the UK accounts for a significant share of global VC deals **ranking in third for its share of Space Technology deals at 7.3%.** However, **the UK has less than 2% of total investment value** over that period showing the need to attract larger rounds sizes to keep pace internationally.

Source: British Business Bank, June 2023

Social Market Foundation - Equity across the Regions

Britain's Equity Finance Gap

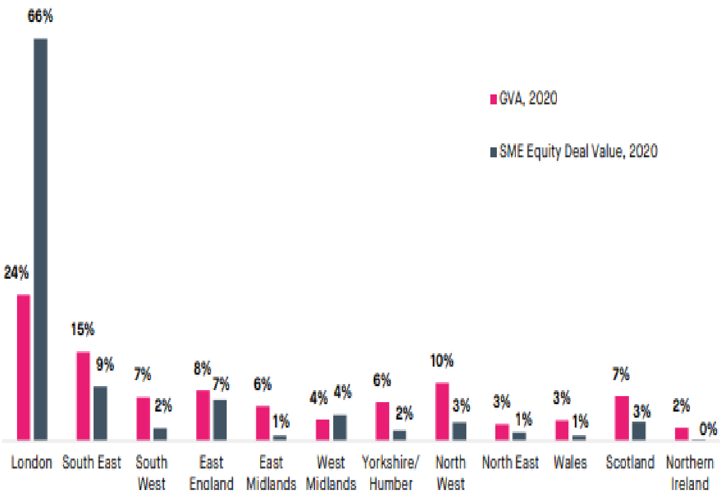
There are 5.6 million small and medium sized enterprises (SMEs) in the UK. Almost all make a positive contribution to the economy. But only a minority have the potential, ability and ambition to achieve substantial growth. **In a world of limited capacity and resources, efforts to improve regional finance should be focused first and foremost on such innovative and dynamic firms.**

Businesses looking to make investments to support their growth they cannot finance themselves have two options. **They can take on debt, borrowing money that must be repaid within a certain period at a certain interest rate. Alternatively, they can sell equity, giving investors a share in their business. From the firm's perspective, equity finance means giving up a degree of control over their business**, but it means that they avoid the financial obligation to make debt repayments if things do not work out.

Lenders are incentivised to care about whether the borrower will be able to pay them back. As a result, they will **favour more established, stable businesses, with more secure revenue streams and large assets that can be used as collateral**. By contrast, equity investors are incentivised to care about **firms' growth potential, seeking out businesses that are likely to become much more successful in the future**, and so increase the value of their equity. As a result, they favour **smaller, riskier firms in more dynamic economic sectors – exactly the sorts of firms that are most likely to transform local economies.** Equity investment typically brings another advantage. Because investors have more riding on the success of the businesses in which they take equity, they can provide **various forms of support to help them grow and be profitable. Angel investors and venture capitalists often bring substantial business experience and help develop managers' skills. They can also help develop networks and make connections between relevant firms in their portfolio.**

The UK has a world-renowned financial centre, specialising in just this sort of equity investment. It accounts for a third of all such investment in Europe, with more venture capital (VC) activity than France and Germany combined. Yet this skill and experience is concentrated in London, and the rest of the country sees too little of the benefit. **In 2020, 66% of equity investment in the UK occurred in London and 75% in London and the South East. London contains 16% of the UK's banks and building societies, but 58% of the country's equity investors.**

Share of UK economic output and SME equity finance



Places with less established equity investment markets are in a 'catch 22' situation. **Investors are unwilling to take big risks and invest in more remote parts of the country that they do not know so well. That lack of supply means local firms are less aware of, and less willing to seek, equity finance – in part because their peers are less likely to have done so**. The shortage of investable firms leads to small funds and poor returns, which in turn discourages investors from increasing their presence.

Analysis commissioned by the UK government estimated that in 2017 there was an **'equity finance gap' of between £6.5 and £12 billion.**

Solutions:

There are measures that could improve the availability of loans to firms outside London and the South East – in particular, **government loan guarantees with more favourable terms for businesses in regions with lower prior accessibility.**

However, such a scheme would need to be of far greater scale and likely produce lower returns to the economy compared to a more targeted focus on equity investment. Debt finance is used by millions, rather than thousands, of firms and the typical debt-seeking firm is less likely to have high growth potential.

Moreover, **deep structural reform of SME banking is likely to be challenging.** There is some evidence to suggest that constricted access to finance is the result of the closure of local bank branches and the decline of 'relationship banking', which will be difficult (and not necessarily desirable) for policy to attempt to reverse in the face of technological change.

Source: *Social Market Foundation, 2023*

Social Market Foundation - Equity across the Regions

Public Equity Investment in the UK

The British Business Bank was established in 2014 with a mandate to try and improve the supply of finance to SMEs in the wake of the financial crisis, and to boost competition in the business banking market. The BBB does not for the most part lend or invest directly, but runs a number of programmes with partner banks, venture capitalists, and other finance providers. In this way, **it follows what the international evidence suggests is the most prudent approach – hybrid public and private investment.**

The British Business Bank's equity programmes operate primarily through its subsidiary **British Patient Capital (BPC).** BPC's approach is to seek out "best-in-class fund managers with a strong UK focus", provide them with capital and allow them to invest in the best sectors. **Over time, it has shifted away from seed funding for startups to growth funding to help scale the most promising businesses.** British Patient Capital's internal rate of return in the year ending March 2022 was 32.9% (though this may have been driven by a bumper year in the global VC market – in 2020, the comparable figure was 11%). Its TVPI was 1.80.

For all the achievements of the British Business Bank, it has thus far made limited progress in terms of closing regional inequalities – as the figure below demonstrates. **It was not until 2018 that addressing geographical disparities was added to BBB's official objectives**. This led to the creation of a number of regional programmes, combining debt and equity finance, the largest of which is the £400 million Northern Powerhouse Investment Fund. However, these currently account for a relatively small share of the BBB's Investments. **Overall, 47% of British Business Bank equity deals are in London – no better than the wider equity market.**

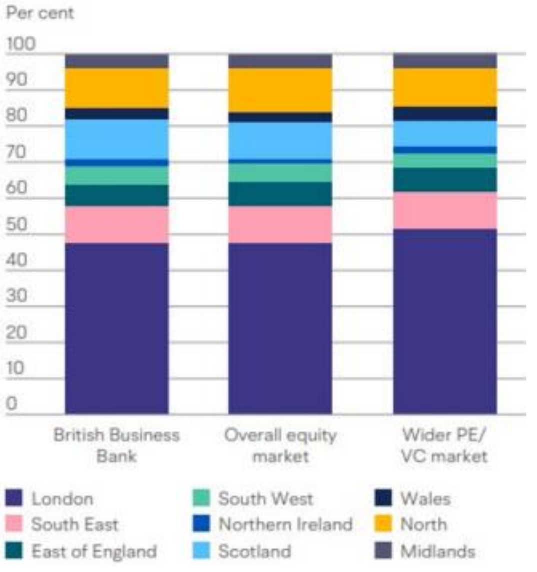
Other UK initiatives

Further evidence of the appetite for equity investment in the UK comes from the **British Growth Fund**, which was founded by a consortium of banks to improve the supply of finance to small business, taking long-term minority stakes in firms. **As of 2021, it had a portfolio of £2.6 billion, achieving an internal rate of return of 23%. Moreover, 72% of its investments are outside London and the South East.**

The Greater London Investment Fund, launched by the Mayor of London in 2019.44 This is a £100 million fund of funds, delegating investment decisions to professional fund managers. Two of the funds are focused on loans, the third on equity investments.

The Scottish National Investment Bank (SNIB) – opening in 2020 – but appears to function less well than the British Business Bank. It has been criticised for the lack of clarity in its objectives and strategy. Though it has £2bn capacity to make both debt and equity investments in Scottish SMEs, it has tended to favour bulky infrastructure projects, and as of May 2022 only 7 companies had received funding.

Regional split of equity deals, 2019-21



British Regional Investment Bank – how it could work

- A proposed Regional Investment Bank would build on the skills and good practice developed by the British Business Bank (changing the mandate of the BBB rather than creating a new institution) – clear objectives and delegating investment decisions to operationally independent professionals.
- However, it would improve on it in two ways, by **a) orienting it more strongly away from London, and b) coordinating it with regional industrial policy.**
- Instead of BBB's current approach, which is to invest in existing funds, the British Regional Investment Bank would seek to **establish several new funds**.
- These funds should be aligned (though not restricted) to **potential economic 'clusters' – key sectors in specific locations that have the potential to spawn world-class businesses.**
- Each proposed cluster would develop a business case, created jointly by central government, devolved/local government, businesses and educational institutions.
- These business cases should also be **coordinated with the UK infrastructure Bank to mobilise public and private infrastructure investment.**
- Private investment firms would then be invited to compete to manage the individual funds associated with each cluster, with the expectation that they at least match public investment.

Source: *Social Market Foundation, 2023*

Manufacturing Outlook 2023 Q2

Make UK's Q2 2023 Manufacturing Outlook report, in partnership with BDO, finds that **manufacturers are experiencing their calmest operating conditions since the inception of the pandemic in 2020.** The previous quarter's survey reported a **remarkable rebound** in activity following a contractionary end to 2022. Following these positive results manufacturers had raised their expectations for the current quarter **expecting further growth**.

Whilst the quarter-on-quarter change in balances between Q1 and Q2 is not nearly as outstanding as the previous quarter's change performance between Q4 2022 and Q1 2023 the **easing of supply-chain disruption is having a positive impact on businesses' ability to deliver on their orders.**

This is seen in the latest balance for **output** volumes which reported at +24%, up from +21%. Much of this expectation-bucking performance was due to a combination of **falling wholesale energy prices, and more critically, sudden easements in supply chain delays and supplier lead times for critical components. It's this easement in the supply chain that allowed the sector to deliver finished goods at a rate far higher than expected last quarter.**

The subsectors that have seen the largest relative positive changes to their output balances this quarter are, in order, **Electronics, Metal products and Electrical, posting respective balance figures of +43%, +36% and +26%.** In the case of the Electronics and Electrical equipment subsectors, output benefits in the short term are **undoubtedly linked to the supply chain easements observed over the previous quarter given the high dependence on imports from the East that these subsectors have.**

Output Summary

% balance of change

SECTOR	PAST 3 MONTHS	NEXT 3 MONTHS
Basic Metals	0%	50%
Metal Products	36%	22%
Mechanical	18%	30%
Electronics	43%	71%
Electrical	26%	4%
Rubber & Plastics	13%	88%
TURNOVER		
£0-9m	38%	28%
£10-24m	11%	24%
£25m and over	15%	34%

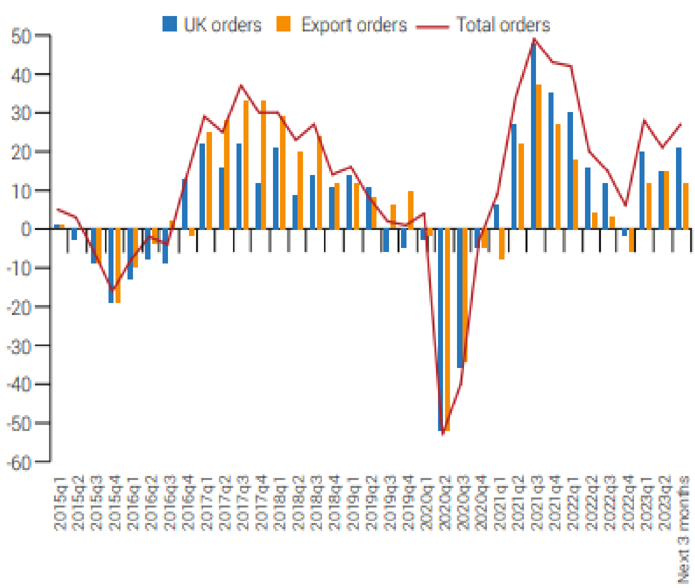
In contrast, the balance for total **orders** has fallen from +28% to +21%, whilst this figure represents a slowdown it remains strong for the second quarter in a row. **This is mainly a result of slowing growth in the domestic market, whilst export orders continued to catch up.**

UK orders reported a positive balance of +15%, down from +20% in Q1. **The domestic market has built a reputation for outperforming export orders consistently every quarter since the inception of the pandemic.** Whilst the latest quarter's result continues to showcase the domestic market's strength, **this is the first quarter since Q1 2021 that UK orders have not exceeded export orders.**

However, the **subsector performance for producers of intermediate goods is positive this quarter**. All subsectors, except for Mechanical, reported positive double-digit balances for domestic order performance indicating that **upstream industries are performing better than the average UK manufacturer.**

Export orders reported a balance of +15%, a modest improvement from Q1 2023. **International orders have continued to recover** since the fourth quarter of last year when exports fell for a balance of -6% of manufacturers. The performance of export orders since the pandemic left something to be desired, particularly when compared to its counterpart, domestic orders. However, the latest figure marks the first-time exports have matched the performance of the domestic market indicating that businesses overseas are also experiencing similar growth. This is reflected by the IMF which recently updated its forecasts for G7 nations predicting that no country should expect a decline in GDP for 2023.

Balance of Change in Orders



Source: MakeUK

Manufacturing Outlook 2023 Q2

The more interesting feature the latest survey data reveals is that **supply-chain disruption may be easing substantially** as for the first time since Q2 2021 the balance for output has exceeded the balance for total orders. This indicates that a greater share of manufacturers is producing more than those that are placing orders whereas since 2021 scarce inputs and expensive logistics had made it very challenging to service high demand.

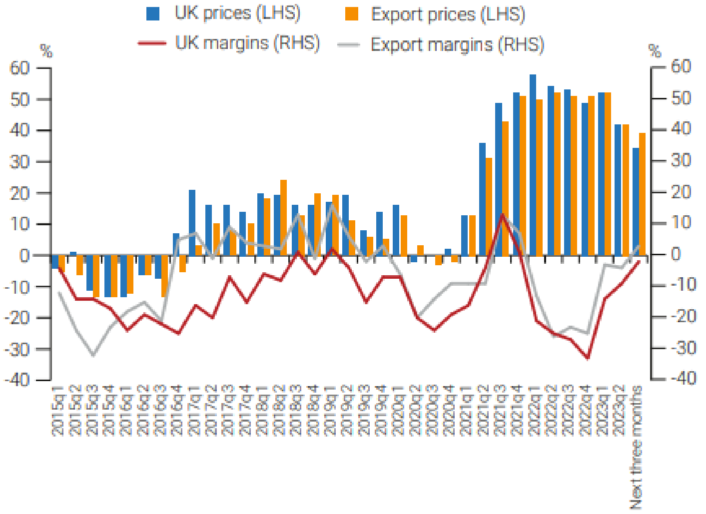
The demand for labour remains high compared to historical averages but the balance in growth in Q2 has been roundly steady since Q1 reported at +18%. indicating that the **jobs market may be slowing**. In comparison, the balance for **investment** intentions was reported at +10%, down from +14%. **Whilst this represents a slowdown it remains a healthy balance of firms that are still planning to invest more.**

Looking forward, manufacturers remain committed to increasing their hires as the economy grows faster than expected.

Employment and Investment Summary

	EMPLOYMENT		INVESTMENT
SECTOR	PAST THREE MONTHS	NEXT THREE MONTHS	NEXT TWELVE MONTHS
Basic Metals	25%	50%	25%
Metal Products	31%	28%	23%
Mechanical	10%	28%	10%
Electronics	0%	43%	14%
Electrical	9%	35%	10%
Rubber & Plastics	25%	50%	50%
TURNOVER			
£0-9m	25%	33%	11%
£10-24m	7%	15%	16%
£25m and over	17%	27%	16%

Prices and Margins - % Balance of Change



The rate at which the **prices** are increasing has slowed on balance at its fastest rate yet, giving the **strongest indication that inflation may be easing at the production level. Yet the balances remain extortionately high suggesting we are far from being out of the woods.** However, promisingly, the balances for margins are continuing to improve indicating that businesses are beginning to recoup their losses from last year.

Business confidence remains positive but has improved only marginally since the previous quarter. This indicates business conditions have not changed much since the start of the year. Moreover, economic confidence has improved much more in comparison as media stories regularly now forecast the UK will more likely grow in GDP than contract has helped sway businesses to feel more positive about the UK's prospects over the next 12 months.

The largest improvement in business confidence was reported by the West Midlands, which increased by 0.9 points to 6.8. Not only the most improved, but the West Midlands is also the **most confident region this quarter**. This region boasts strong specialist subsectors such as automotive, mechanical equipment and metal products and it is possible the improved confidence is a result of these subsectors operating under better conditions, such as reduced supply-chain disruptions. The West Midlands is followed by the North East and **East Midlands** as the second and **third most improved from last quarter.**

Sector Forecasting

Overall Manufacturing: expected to decline by -0.9% in 2023. **Electronics**: output forecast is for 4.3% growth in 2023, but a flatter -0.5% in 2024. Employment is expected to change little in 2023 with a 0.2% change this year and a further decline of -2.9% in 2024. **Basic Metals**: forecast output growth is at -2.9% for 2023, which while improved, is still six times more negative than the manufacturing average. This contraction is forecast to continue into 2024, with a further decline of -7.8% in output. Employment is set to follow suit but with less magnitude, with a reduction of -1.2% in 2023, and a further more significant reduction in 2024 by -4.4%. **Fabricated Metals**: forecast output in this subsector is 0.8%, which sees the subsector grow while the manufacturing average still remains in negativity this year. Growth continues in 2024 as well, with a further increase of 1.4% in output expected. Employment growth is set to be low but consistent at 0.5% in 2023 and 0.6% in 2024. **Food & Drink**: expected output growth forecast for 2023, is -0.3%, which is close to no decline at all. This is a marginally better forecast that the overall manufacturing.

Source: *MakeUK*

Manufacturing Outlook 2023 Q2

Textiles: forecast of -6.3% in output for 2023. The forecast for 2024 is far flatter, in line with the manufacturing average, at 0.6%. Employment is set to remain steady this year with only a growth of 0.3% forecast but with larger growth of 3.7% expected in 2024. **Mechanical Equipment**: output for the subsector is expected to contract by -3.7% this year, and by a lesser -0.6% in 2024. Employment is not forecast to change much this year, with growth of 0.3% expected, but a contraction of -2.4% in 2024.

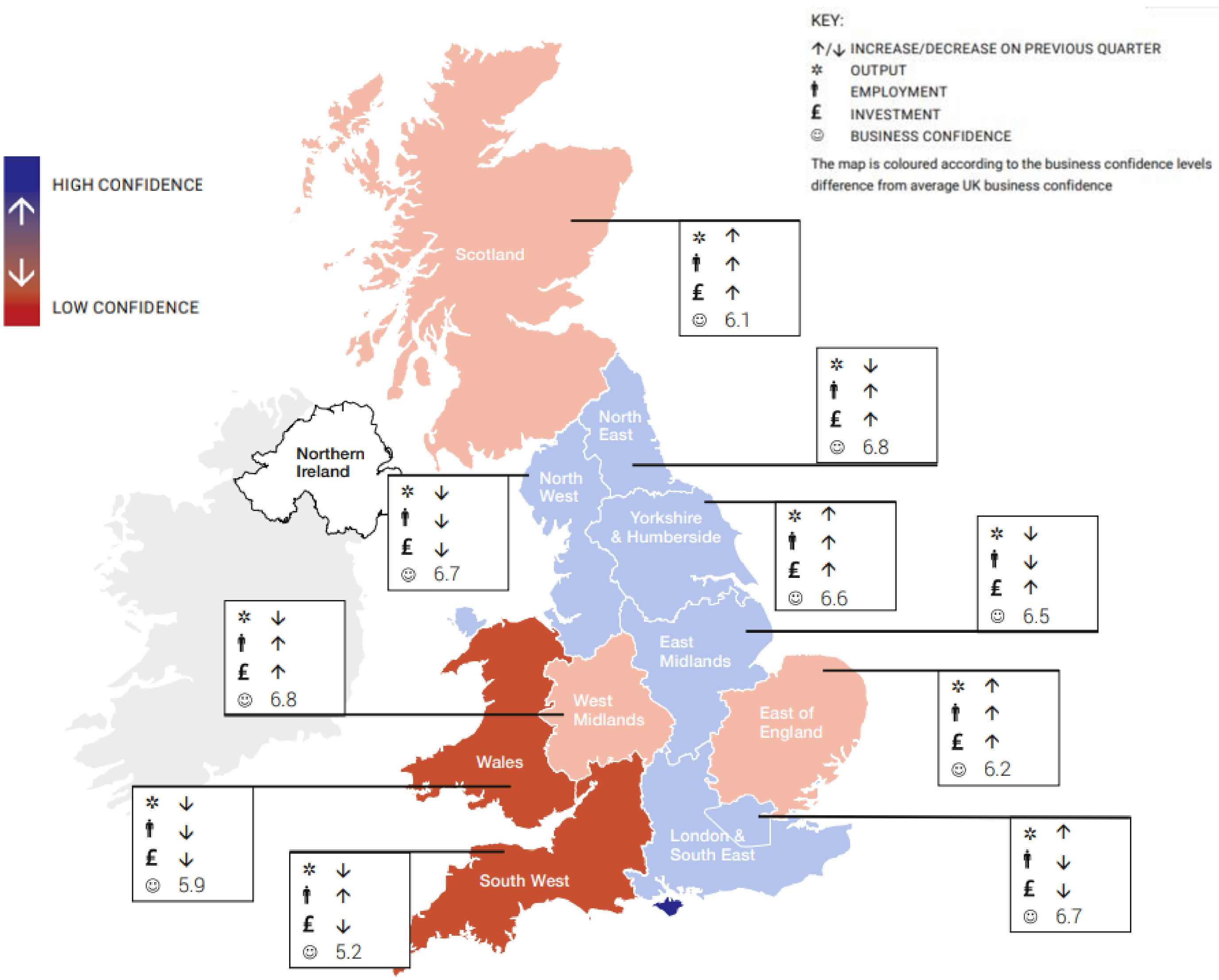
Sector Forecasts

% change

	OUTPUT			EMPLOYMENT		
	2022	2023	2024	2022	2023	2024
Basic metals	1.4	-2.9	-7.8	3.0	-1.2	-4.4
Metal products	-11.1	0.8	1.3	0.8	0.5	0.6
Mechanical	-10.3	-3.7	-0.6	1.4	0.3	-2.4
Electronics	-5.9	4.3	-0.5	1.5	0.2	-2.9
Electrical	-12.4	-6.8	-1.2	6.1	-2.1	1.0
Motor vehicles	-12.0	4.4	1.6	0.3	1.0	-3.6
Other transport	-4.7	2.3	3.2	2.8	1.1	-1.1
Food & drink	0.5	-0.3	0.9	0.4	-0.2	-1.4
Chemicals	-5.5	-5.8	1.5	4.0	-5.1	-2.4
Pharmaceuticals	-3.3	5.3	1.6	7.0	-3.5	-4.5
Rubber and plastics	-9.7	2.2	-0.2	4.7	2.8	-1.4
Non-metallic minerals	3.1	-4.8	1.6	2.7	1.9	-0.8
Paper and printing	-5.7	-6.0	1.7	3.2	-2.7	-2.1
Textiles	-3.3	-6.3	0.6	7.9	0.3	3.7
Manufacturing	-4.8	-0.5	0.5	3.4	-0.9	-1.6

Source: Oxford Economics   Source: Oxford Economics

Confidence



Source: MakeUK

Local Business and Policy Intelligence By Sector

SECTOR	KEY INSIGHTS
Logistics & Transport	• CBRE's UK Logistics Market Summary for Q1 2023 shows that, across the country, **availability increased 27% QoQ, however, the vacancy rate of 2.71% remains significantly below the long-term average.** Demand continued to come from a range of different occupiers with 22 unique occupiers across 25 big box deals. • **The East Midlands accounted for the largest share of take-up in Q1 at 36.0%** followed by the South East at 29.7%. However, in the 12 months to the end of Q1 2023, Yorkshire & North East contributed the largest share of take-up at 23.3% **(EM= 18.0% and WM = 18.9%).** • Delivery group **DX has revealed plans to invest £12m in a new regional hub near Ilkeston**. It is acquiring a 4.5-acre site at New Stanton Park Industrial Estate. The 25,000 sq ft regional hub replace an existing freight depot in Nottingham, which will become a dedicated two-man supersite.
Construction and Infrastructure	• **Weak growth across Britain's construction sector picked up modestly in May**, despite an increasingly severe downturn in house-building activity prompted by rising interest rates. • The **S&P Global/CIPS UK Construction Purchasing Managers' Index (PMI) rose to 51.6 from 51.1 in April.** • The **civil engineering and commercial sectors drove the increase**, with the survey's gauge of new orders reaching its highest level since April 2022.
Retail	• There are mixed results from recent months about the UK retail sector. Based on ONS data, in **May retail sales rose 0.3% after a 0.5% increase in April, continuing a bounce in spending since the beginning of the year that points to a return of consumer confidence.** • Also, UK shop price inflation slowed in June helped by a second consecutive monthly decline in the growth of food prices, according to the latest industry data. **The cost of shop items rose at an annual rate of 8.4 per cent this month, down from 9 per cent in May and below the three-month average of 8.7 per cent**, figures published on Tuesday 27th June by the British Retail Consortium showed. • However, the **CBI's Monthly Distributive Trades Index fell to -9 in June from -10 in May.** The CBI said retail sales volumes were average for the time of year at +1% in June compared with -18% in May, and were expected to remain broadly in line with seasonal norms in July at -2%. • Furthermore, Nottingham-headquartered **Boots is planning to close 300 shops as it looks to evolve its store estate.** Over the next year Boots will continue to consolidate a number of stores in close proximity to each other, saying this will allow the company "to concentrate its team members where they are needed and focus investment more acutely in individual stores with the ambition of consistently delivering an excellent and reliable service in a fresh and up to date environment."
Investment	• According to a senior figure at Browne Jacobsen, the **Midlands deal market "appears to be very resilient at present".** Six months into 2023, "the deal market still appears to be very resilient at present even due to the headwinds that exist," said corporate partner Mark Hughes. "In particular, we are **still seeing appetite from private equity funds who are keen to engage in acquisition processes.** • This has been echoed from ThinCats, with the alternative funder suggesting that the **investment market "continues to improve".** Despite economic headwinds such as the war in Ukraine and the cost of living crisis, "**we have seen SMEs step up to the challenge – post-Covid many of them are flexible, agile and determined**," said Richard Newman, senior director at ThinCats.
Start-Ups	• The **best startup firms in the Midlands have been revealed at the Midlands Start-Up Awards, held in Birmingham in May.** • **Winners included:** The VCTC (Overall Winner and MedTech and Healthtech StartUp of the Year) Find me a Solicitor (Birmingham StartUp of the Year), Allerpack (Online Retail StartUp of the Year), Furbnow (Construction StartUp of the Year), Live Tech Games (Digital StartUp of the Year, Salinity Solutions (Manufacturing StartUp of the Year), Bloomwise Ltd (Rising Star Award), ChooseWell UK Ltd (Social Enterprise StartUp of the Year, and Verify 365 (Technology Services StartUp of the Year).

Business Insights and Impact on the UK Economy

ONS have published the final results from Wave 85 of the [Business Insights and Conditions Survey (BICS)](#).

Trade

15.7% of West Midlands businesses and 16.4% of East Midlands businesses reported that exporting increased in May 2023 when compared to the same month in the previous year. While 25.2% of West Midlands businesses and 21.5% of East Midlands businesses reported exporting less.

12.7% of West Midlands businesses and 12.1% of East Midlands businesses reported that importing increased in May 2023 when compared to the same month in the previous year. While **15.6% of West Midlands businesses and 13.8% of East Midlands businesses reported importing less.**

Materials, Goods or Services from within the UK

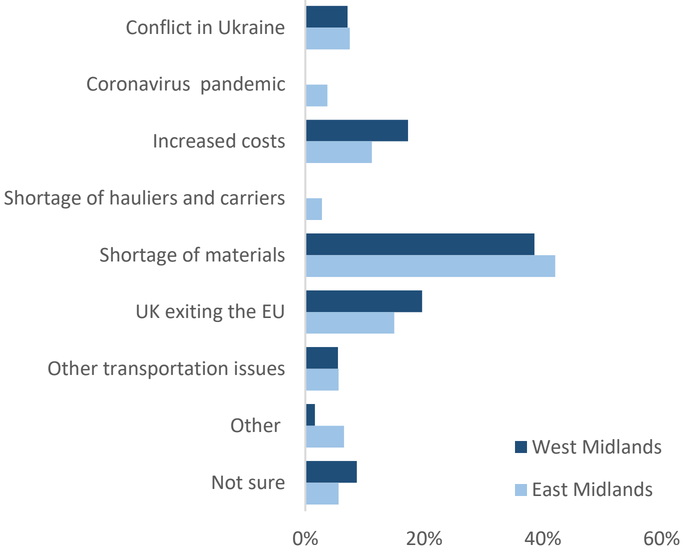
76.4% of West Midlands businesses and 77.8% of East Midlands businesses were able to get the materials, goods or services it needed in May 2023. A further 7.9% of West Midlands businesses and 8.2% of East Midlands businesses were only able to ger the materials, goods or services required by changing suppliers or find alternative solutions.

3.9% of West Midlands businesses and 3.3% of East Midlands businesses were not able to get the materials, goods or services needed in May 2023.

Global Supply Disruption

8.1% of West Midlands Businesses and 7.9% of East Midlands businesses reported experiencing global supply chain disruption in May 2023. As 38.6% of West Midlands businesses and 42.1% of East Midlands businesses reported shortage of materials.

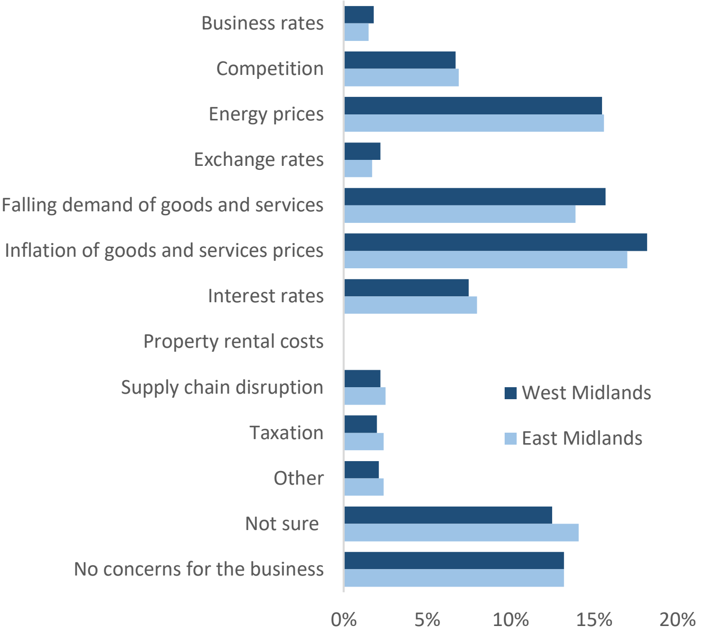
Reasons (if any) for Global Supply Chain Disruption for Businesses in the Midlands



Main Concern

18.2% of West Midlands businesses and 17.0% of East Midlands businesses reported the main concern for business in July 2023 will be inflation of goods and services.

Main Concerns (if any) for Businesses in the Midlands in July 2023



Redundancies

For both regions, 6.4% of businesses expect to make redundancies in the next three months. As 42.0% of West Midlands businesses want to reduce staff costs and 44.8% of East Midlands businesses reported certain job roles are no longer required.

Employees Hourly Wages

15.9% of West Midlands businesses and 15.5% of East Midlands businesses reported hourly wages in May 2023 increased when compared to the previous month.

Worker Shortages

26.4% of West Midlands businesses and 24.3% of East Midlands businesses reported to currently experiencing a shortage of workers. The shortage meant that 57.8% of West Midlands businesses and 59.4% of East Midlands businesses had employees working increased hours.

Industrial Action

6.9% of West Midlands businesses and 5.5% of East Midlands businesses were affected by industrial action in May 2023. As 37.0% of West Midlands businesses and 30.7% of East Midlands businesses reported the workforce had to change their working location.

Please note – the survey reference period: 1st to 31st May 2023. Survey live period: 12th to 25th June 2023. The response rates are low and the data is unweighted and should be treated with caution.

4. Trade and Investment

The Midlands Trade in Goods

In the year ending Q1 2023, the Midlands area exported £56.8bn worth of goods and imported £75.9bn. This represents a trade in goods deficit of £19.1bn, an increase from the trade deficit in the year ending Q1 2022 which was £18.3bn.

- The West Midlands exported £31.6bn and imported £42.7bn – a trade in goods deficit of £11.1bn.
- The East Midlands exported £25.2bn and imported £33.2bn – a trade in goods deficit of £8.1bn.

Goods Exported

In the year ending Q1 2023, exports from the Midlands area were worth £56.8bn and has increased by £9.9bn (+21.2%) since the year ending Q1 2022. The UK increased by a slower rate, by 17.5% to £380.6bn.

- Since the year ending Q1 2022, the West Midlands goods exports increased by £5.7bn (+22.2%) to £31.6bn in the year ending Q1 2023.
- East Midlands goods exports increased by £4.2bn (+19.9%) to £25.2bn in the year ending Q1 2023.

The Midlands area accounted for 20.7% of England's goods exports - above London and the South East.

Quarter-on-quarter (Q1 2023 to Q4 2022) analysis shows total goods exports from the Midlands decreased by £323m (-2.1%, UK -7.2%) to £15.0bn. The West Midlands decreased by £68m (-0.8%) and the East Midlands decreased by £255m (-3.8%).

- EU exports from the Midlands increased by nearly £275m (+4.2%, UK -4.8%), the increase can be attributed to the West Midlands which increased by £441m (+12.7%), whereas the East Midlands decreased by £166m (-5.3%).
- Non-EU exports from the Midlands decreased by £598m (-6.8%, UK -9.6%), the West Midlands decreased by £509m (-9.8%) and the East Midlands decreased by £89m (-2.5%).

Latest annual quarterly (Q1 2022 – Q1 2023) analysis shows total goods exports from the Midlands increased by £2.6bn (+21.2%, UK +10.1%); the West Midlands increasing by £1.6bn (+23.7%) and the East Midlands increasing by £976m (+17.9%).

- EU exports from the Midlands increased by £750m (+12.3%, UK +9.7%). The West Midlands increased by £610m (+18.5%), and the East Midlands increased by £140m (+5.0%).
- Non-EU exports from the Midlands increased by nearly £1.9bn (+29.8%, UK +10.6%) as the West Midlands increased by £1.0bn (+28.5%) and the East Midlands increased by £836m (+31.5%).

Goods Imported

In the year ending Q1 2023, goods imports to the Midlands area were worth £75.9bn, an increase of £10.7bn (+16.5%) since year ending Q1 2022. UK-wide total imports increased by 23.5% to £634.6bn.

- West Midlands region goods imports increased by £6.1bn (+16.7%) to £42.7bn in the year ending Q1 2023.
- East Midlands imports increased by £4.6bn (+16.2%) to £33.2bn in the year ending Q1 2023.

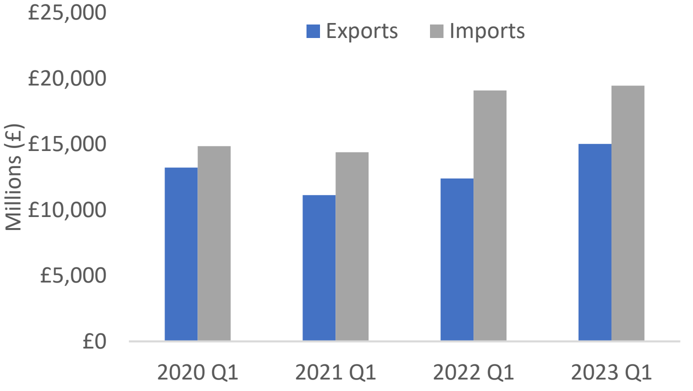
Quarter-on-quarter analysis shows **total goods imports to the Midlands increased by £299m (+1.6%, UK -4.7%). The West Midlands increased by £181m (+1.7%) and the East Midlands increased by £118m (+1.4%).**

- EU imports to the Midlands increased by £874m (+8.2%, UK +0.3%).
- Non-EU imports to the Midlands decreased by £573m (-6.8%, UK -9.5%).

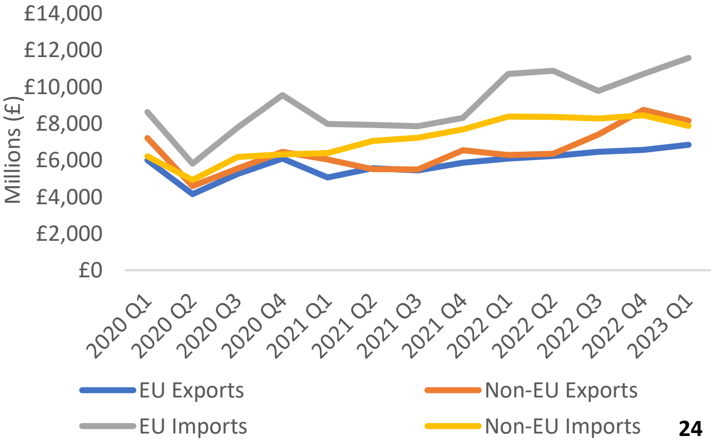
Annual quarterly analysis shows **total goods imports to the Midlands increased by £361m (+1.9%, UK +1.4%).**

- EU imports to the Midlands increased by £870m (+8.1%, UK +8.4%).
- Non-EU imports to the Midlands decreased by £508m (-6.1%, UK -5.0%).

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:



Source: : *[HM Revenue & Customs, UK Regional Trade in Goods Statistics Quarter 1 2023 – Released June 2023.]*

The Midlands Trade in Goods

Standard International Trade Classification (SITC)

- The total value of goods exports in seven of the ten SITC sections increased for the Midlands when compared to the year ending Q1 2022.
- **The largest SITC section for goods exports in the Midlands area was machinery and transport at £38.2bn – 67.4% of total; of which £22.8bn (59.6%) went to non-EU locations. Since the year ending Q1 2022, overall, this SITC section increased by £8.0bn (+26.3%).**
- The total value of imports in nine of the ten SITC sections increased for the Midlands when compared to the year ending Q1 2022. The SITC section that decreased was other commodities nes.
- The largest SITC section that was imported to the Midlands area was machinery & transport at £35.3bn, which is 46.5% of total imports (of which 59.0% or £20.8bn of imports for this section was from the EU). This section overall has increased since the year ending Q1 2022 by £6.9bn (+24.1%). When split between EU and non-EU, there was an increase of £5.2bn from the EU and an increase of £1.7bn from non-EU countries.

Goods Exported and Imported by SITC Section

Figures in £m	Midlands			UK		
	Year Ending Q1 2022	Year Ending Q1 2023	% Change	Year Ending Q1 2022	Year Ending Q1 2023	% Change
Total Exports by SITC Section						
0 Food and Live Animals	£1,754	£1,965	12.0%	£14,117	£16,000	13.3%
1 Beverages and Tobacco	£111	£98	-11.7%	£7,510	£9,332	24.3%
2 Crude Materials	£1,800	£1,872	4.0%	£9,889	£10,170	2.8%
3 Mineral Fuels	£306	£370	20.9%	£32,239	£49,645	54.0%
4 Animal and Vegetable Oils	£82	£56	-31.7%	£673	£746	10.8%
5 Chemicals	£3,182	£3,349	5.2%	£54,484	£62,617	14.9%
6 Manufactured Goods	£5,053	£5,790	14.6%	£36,540	£40,887	11.9%
7 Machinery and Transport	£30,285	£38,242	26.3%	£112,542	£136,578	21.4%
8 Miscellaneous Manufactures	£4,265	£5,027	17.9%	£38,706	£42,934	10.9%
9 Other commodities nes	£10	£8	-20.0%	£17,110	£11,649	-31.9%
Total Exports	**£46,847**	**£56,778**	**21.2%**	**£323,808**	**£380,558**	**17.5%**
Total Imports by SITC Section						
0 Food and Live Animals	£5,752	£6,553	13.9%	£40,004	£48,786	22.0%
1 Beverages and Tobacco	£509	£578	13.6%	£6,947	£7,956	14.5%
2 Crude Materials	£1,682	£1,755	4.3%	£15,185	£15,055	-0.9%
3 Mineral Fuels	£1,423	£2,392	68.1%	£71,650	£107,933	50.6%
4 Animal and Vegetable Oils	£198	£225	13.6%	£1,841	£2,542	38.1%
5 Chemicals	£5,179	£5,781	11.6%	£64,525	£75,896	17.6%
6 Manufactured Goods	£11,959	£12,661	5.9%	£64,438	£65,054	1.0%
7 Machinery and Transport	£28,470	£35,328	24.1%	£165,901	£208,299	25.6%
8 Miscellaneous Manufactures	£9,988	£10,622	6.3%	£73,877	£83,580	13.1%
9 Other commodities nes	£11	£3	-72.7%	£9,243	£19,458	110.5%
Total Imports	**£65,172**	**£75,897**	**16.5%**	**£513,612**	**£634,559**	**23.5%**

Country Group

- **The highest value of goods exports from the Midlands area was to the EU at £26.1bn, accounting for 46.0% of the total. The value of goods exports to the EU has increased by £3.1bn (+13.5%) since the year ending Q1 2022.**
- There were two Country Groups where goods exports from the Midlands declined from the year ending Q1 2022 which was Eastern Europe (excl. EU) by £373m (-39.6%) to £569m and Sub-Saharan Africa by £57m (-7.7%) to £685m.
- Imports to the Midlands from Eastern Europe (excl. EU) was the only Country Group to decrease and this was by £250m (-39.1% to £389m).
- The highest value of imports to the Midlands area was from the EU at £42.9bn, which accounted for 56.6% of the total. This was an increase of £8.1bn (+23.4%) when compared to the year ending Q1 2022.

Goods Exported and Imported by Country Group

Figures in £m	Midlands			UK		
	Year Ending Q1 2022	Year Ending Q1 2023	% Change	Year Ending Q1 2022	Year Ending Q1 2023	% Change
Exports by Country Group						
Asia & Oceania	£9,220	£12,193	32.2%	£52,949	£59,445	12.3%
Eastern Europe (excl EU)	£942	£569	-39.6%	£5,788	£4,121	-28.8%
European Union	£22,992	£26,095	13.5%	£164,811	£198,635	20.5%
Latin America and Caribbean	£683	£806	18.0%	£4,786	£6,267	30.9%
Middle East and North Africa (excl EU)	£2,100	£3,459	64.7%	£14,964	£21,855	46.1%
North America	£8,410	£11,097	32.0%	£49,903	£62,288	24.8%
Sub-Saharan Africa	£742	£685	-7.7%	£5,536	£6,060	9.5%
Western Europe (excl. EU)	£1,752	£1,866	6.5%	£13,706	£16,317	19.1%
Undefined Country Group	£6	£6	0.0%	£11,364	£5,571	-51.0%
Total Exports	**£46,847**	**£56,778**	**21.2%**	**£323,808**	**£380,558**	**17.5%**
Imports by Country Group						
Asia & Oceania	£18,755	£19,285	2.8%	£120,305	£126,946	5.5%
Eastern Europe (excl EU)	£639	£389	-39.1%	£10,201	£2,876	-71.8%
European Union	£34,806	£42,935	23.4%	£240,606	£315,404	31.1%
Latin America and Caribbean	£1,130	£1,314	16.3%	£6,871	£10,223	48.8%
Middle East and North Africa (excl EU)	£1,365	£1,767	29.5%	£15,660	£27,042	72.7%
North America	£4,265	£5,676	33.1%	£48,300	£69,650	44.2%
Sub-Saharan Africa	£779	£934	19.9%	£9,366	£11,127	18.8%
Western Europe (excl. EU)	£3,434	£3,597	4.7%	£56,849	£63,924	12.4%
Undefined Country Group	-	-	-	£5,454	£7,366	35.1%
Total Imports	**£65,172**	**£75,897**	**16.5%**	**£513,612**	**£634,559**	**23.5%**

Source: HM Revenue & Customs, UK Regional Trade in Goods Statistics Quarter 1 2023 – Released June 2023.

Perspectives on International Trade

Although the region's trade picture appears to be becoming more positive, the Midlands stands out as one of the hardest hit regions in terms of trade due to the external shocks of recent years. This has been explored in a Midlands Engine commissioned report from the **Centre for Business Prosperity at Aston University; Midlands International Trade: State and Challenges** was published earlier this month (summary version available here). The report provides a comprehensive analysis on the **state of Midlands international trade during 2019-2022**, demonstrating the disproportionate impacts of international trade contraction and slow recovery in the region.

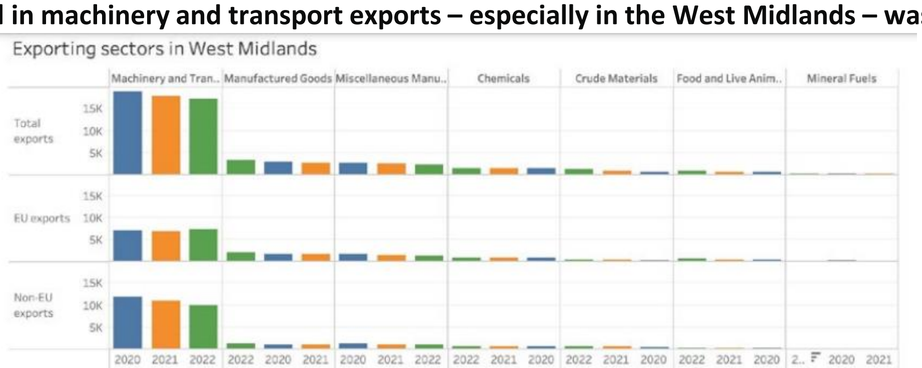
In 2019, the Midlands' exported goods were worth £56bn - as much as 16% of all goods exports in the UK. In 2020, the **Midlands' goods export value dropped by more than 10% to £45.6bn - a decline that was five times that of the UK average of around 2%.** Midlands' exports in services were also severely disrupted by the pandemic - declining in export value by nearly a quarter. **The Midlands was the worst hit region in the UK.**

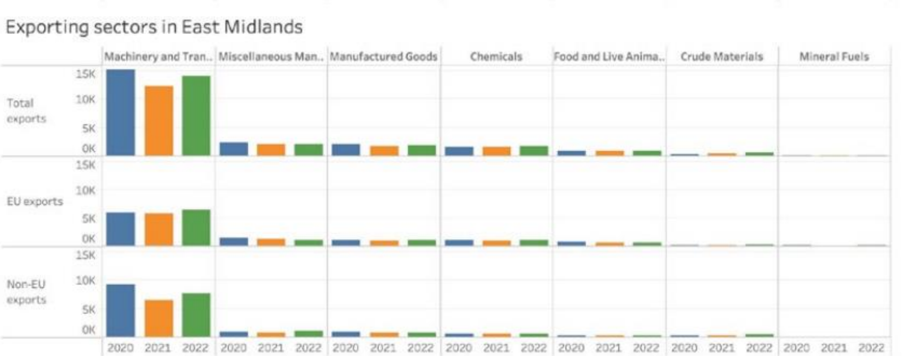
Over a longer timeframe including the latest available figures (for Q3 2019 to Q2 2022), the Midlands recorded the largest fall in overall exports value for any UK region – a decline of 13% compared to the UK average of 1.9%. The **impact of the recent economic shocks has also been intensified in the Midlands by a slower and weaker recovery.** Between 2021 and 2022, the gap between the rate of recovery in the Midlands and the UK average meant that the **Midlands' share of UK exports reduced by around two percentage points during this period.**

Through a detailed exploration of the processes impacting the Midlands region, the report builds a profile of exporting from the region (within the timeframe analysed) revealing overall trends and the driving forces behind them:

- **Midlands exports rely relatively equally on EU and non-EU markets.**
- Since 2020, the **Midlands' export reduction has been steeper in non-EU markets than in EU markets.**
- Recent data reveals that levels of **exporting to non-EU markets are in decline for the Midlands as a whole, but in particular in the West Midlands** - which is in stark contrast to the overall UK landscape of recovery.
- **Machinery and transport remain the largest sector for exports in the Midlands** (over 60% of the region's exports), but the export decline and poor recovery in this sector – particularly in the West Midlands – is having a detrimental impact on the region as a whole.
- The Midlands' **manufacturing specialism means increasing transportation costs and disruption at borders are more pronounced risks here (and in the North) than in other regions.**
- Birmingham, the main hub in the region for services exports, **has shown resilience outside of the EU markets,** while Nottingham, South Nottinghamshire and Walsall achieved export growth during the pandemic period.

A fall in machinery and transport exports – especially in the West Midlands – was a key contributor in fall in trade





The **reliance on automotive and other manufacturing exports therefore ensured a hard trade hit on the Midlands through the pandemic and the initial impact of Brexit**. As these sectors transition to decarbonised models and products (such as electric vehicles), **concerns have been raised in other research (such as from the Energy & Climate Intelligence Unit), about the UK failing to develop electric vehicle capacity**, therefore potentially losing vital export incomes in the near future.

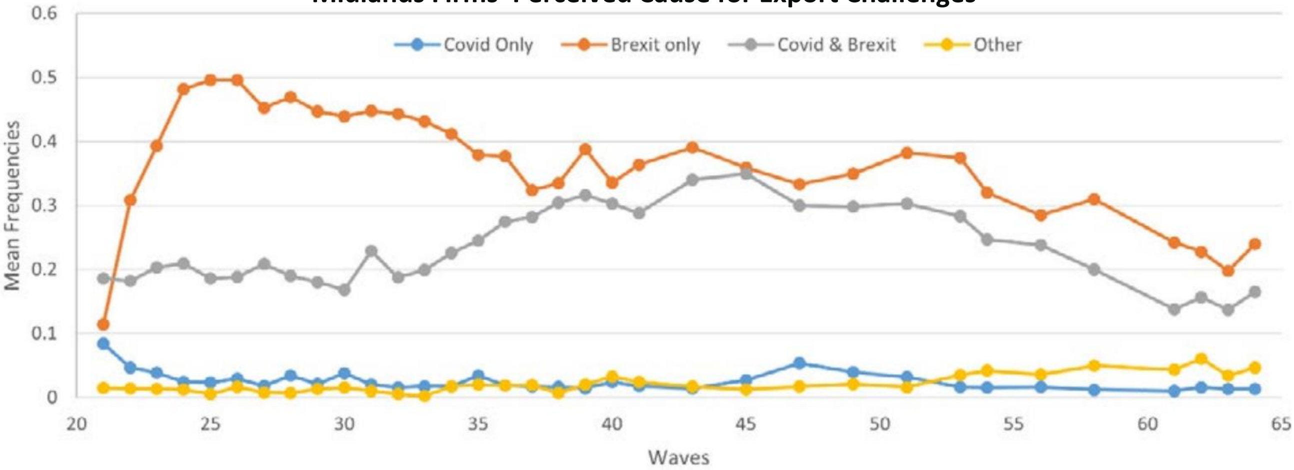
Perspectives on International Trade

Furthering the analysis to understand firm-level experiences, the Centre for Business Prosperity's study draws on ONS' Business Insights and Conditions Survey (BICs).

Based on survey answers given during January 2021 to September 2022, the report finds that the **cause of export challenge that is most frequently selected by Midlands firms is Brexit, followed by both Brexit and COVID**. The proportion of firms that felt that Brexit was the cause did reduce over time, gradually dropping from nearly half of the sample at the beginning of January 2021 to its lowest point (20% of firms) in January 2022. This vividly describes the **export disruptions that were caused by the end of transition and the implementation of the TCA.** Interestingly, of the firms that responded to the question, few declared that COVID was the main and only cause of their export challenges. **Most firms admitted that Brexit or Brexit plus COVID were to blame.**

While the most common export problems experienced by Midlands firms being "**Additional paperwork", "Change in transportation costs" and "customs and duties".**

Midlands Firms' Perceived Cause for Export Challenges



Using a more detailed empirical analysis, the report "**strongly and robustly finds that a reduced demand for products and services in the Midlands Engine region appears to be the most important reason behind firms' export disruptions and decline"**. The challenges experienced were likely driven by a **confluence of factors including, but not limited to, the UK's EU exit.**

In response to the range of issues it flags up, the report proposes **actions to revive and develop exporting in the Midlands**. These are listed below, and largely complement national policy reports also published in recent weeks, from both the Resolution Foundation (Trading Up) **and the** UK Trade & Business Commission (Trading Our Way).

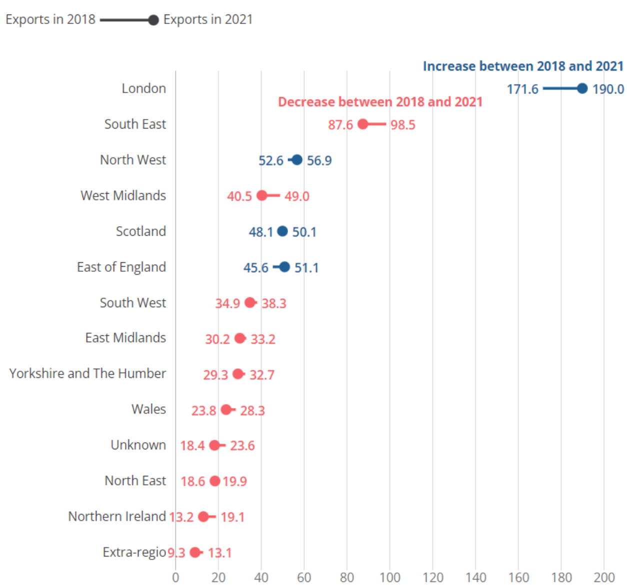
1) **Develop Midlands export markets** and trading relationships by **raising the profile of regional firm strengths and emerging clusters with regards to growth markets**; developing international trade links including via trade missions; and by seeking to influence UK trade policy in line with Midlands export strengths and key markets, including EU markets.
2) **Support Midlands exporters**, and firms that have recently ceased exporting, **to develop, strengthen and, where relevant, restart their export strategies in regard to new and existing markets** - developing their resilience to mitigate trade challenges, including those arising from the UK's EU exit.
3) **Encourage and support more Midlands firms – particularly SMEs – to export** including by supporting them to explore their potential in overseas markets, to develop an export strategy, and to develop overseas marketing capability and client relationships e.g. via participation in trade shows and visits.
4) **Train, educate and inspire Midlands entrepreneurs and business leaders in regard to exports.**
5) **Provide greater certainty and consistency in export support for firms in the Midlands** – that recognises and responds to the different experiences of export amongst firms of different types and sectors in a timely manner as to **increase their confidence and ongoing commitment to export and to enable them to prepare for and take advantage of opportunities as they arise.**
6) **Pursue a regional industrial strategy** that develops the region's and regional firms' strengths and competitiveness with regards to new and emerging global markets – **recognising the close correlation between firm productivity and exports, including sustained exporting.**

International Trade in UK nations, regions and cities

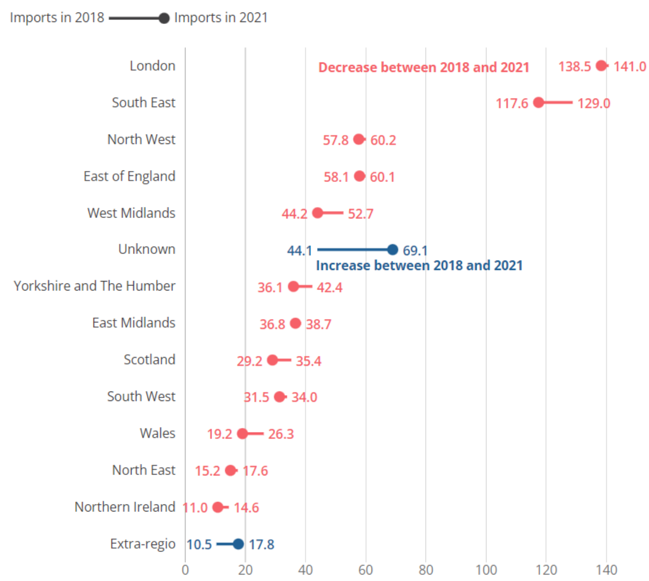
An additional ONS data release on International Trade in UK nations, regions and cities confirms some of the similar findings of trade performance in recent years, with data currently only going up to 2021.

In particular, **the West Midlands region is found to have the second largest fall in total exports (goods and services) of all regions between 2018 and 2021, at £8.5 billion (17.4%) - driven by a £6.1 billion (22.6%) decrease in goods exports in the manufacturing industry.** The East Midlands decreased by less, -10%, from £33.2 billion to £30.2 billion. The West Midlands also experienced the second largest fall in imports in this timeframe.

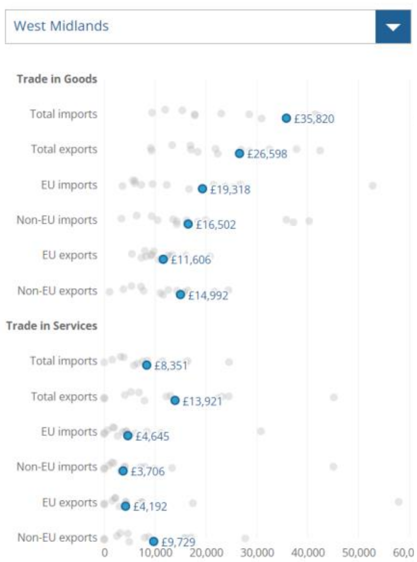
Total trade exports by International Territorial Level (ITL) 1 region, UK, 2018 to 2021



Total trade imports by International Territorial Level (ITL) 1 region, UK, 2018 to 2021



Looking at trade in services specifically, the Midlands exported **£21.8bn worth of services in 2021 - £13.9bn from the West Midlands and £7.9bn from the East Midlands**. Overall, this represents a 6.1% increase in service exports compared to 2020, **but overall levels remain £4.5bn below the pre-Covid (2019) value**. UK total service exports increased at a similar but slightly higher rate (+6.8%) between 2020 and 2021, but also remain below 2019 levels. **Midlands service exports are 6.6% the UK total, unchanged from 2020.**



The sector with the most service exports from the Midlands is **financial and insurance activities at £7bn in 2021, around one-third of the total.** This is followed by **other service industries (4.1bn, 18.9%) and transportation and storage, accommodation and food service activities (£3.4bn, 15.6%).**

£14.6bn (67%) of Midlands service exports go to non-EU markets, with these increasing by 11.1% between 2020 and 2021, but still remaining below 2019 levels (£16.3bn). As for **EU markets, these make-up 33% of Midlands service exports but have decreased somewhat in recent years.** In 2019, the Midlands exported £10bn worth of services to the EU, whereas in 2021 it was £7.2bn (-28%).

City areas in the Midlands typically drive service export strengths, **with Birmingham (£3.4bn), Stoke-on-Trent (£2.5bn), and Coventry (£1.3bn) among the highest Midlands local authorities in terms of 2021** value. While many places still remain below pre-Covid and Brexit levels, **Coventry and Stoke-on-Trent have grown well.**

Foreign Direct Investment into the Midlands

All FDI Projects

- There were 265 FDI projects into the Midlands area in 2022-23, an increase of 9.5% (+23) compared to 2021-22. The UK overall increased by 4.1% (from 1,589 to 1,654).
  - **In 2022-23, there were 181 FDI projects into the West Midlands, an increase of 26.6% (+38) compared to 2021-22. There were 84 FDI projects into the East Midlands, a decrease of 15.2% (-15).**
- In 2022-23, the Midlands accounted for 16.0% of total FDI projects.

FDI projects by UK regions and Midlands Total

	2020-21	2021-22	2022-23	Latest Percentage Change	Latest Number Change	Percentage of Total 2022-23
Multiple UK sites	49	63	54	-14.3%	-9	3.3%
North East	51	71	61	-14.1%	-10	3.7%
North West	139	145	137	-5.5%	-8	8.3%
Yorkshire and The Humber	86	104	103	-1.0%	-1	6.2%
East Midlands	**72**	**99**	**84**	**-15.2%**	**-15**	**5.1%**
West Midlands	**145**	**143**	**181**	**26.6%**	**38**	**10.9%**
East of England	72	81	75	-7.4%	-6	4.5%
London	492	444	528	18.9%	84	31.9%
South East	163	149	130	-12.8%	-19	7.9%
South West	76	96	91	-5.2%	-5	5.5%
Scotland	92	119	130	9.2%	11	7.9%
Wales	72	43	47	9.3%	4	2.8%
Northern Ireland	29	32	33	3.1%	1	2.0%
Midlands	**217**	**242**	**265**	**9.5%**	**23**	**16.0%**
Total	**1,538**	**1,589**	**1,654**	**4.1%**	**65**	**100%**

- Within the Midlands, based on the 9 LEPs, there were 270 single site FDI projects in 2022-23 (from 247 in 2021-22). The increase in FDI projects can be primarily linked to Greater Birmingham & Solihull LEP which rose by 27 (to 76), Coventry & Warwickshire LEP increased by 14 to 50.

All New Jobs from FDI Projects

- In the Midlands, there were 11,091 new jobs created from FDI projects in 2022-23. This is a decrease of 11.0% (-1,368) from 2021-22. The UK experienced a decrease over the same period, of 6.1% (from 84,759 to 79,549).
  - **In 2022-23, there were 8,252 new jobs created in the West Midlands, an increase of 48.1% (+2,681) from 2021-22. There were 2,839 new jobs created in the East Midlands, a decrease of 58.8% (-4,049).**
- In 2022-23, the Midlands accounted for 14.0% of new jobs created from FDI projects in the UK.

New Jobs Created by FDI projects by UK regions and Midlands Total

	2020-21	2021-22	2022-23	Latest Percentage Change	Latest Number Change	Percentage of Total 2022-23
Multiple UK sites	14,855	20,749	13,198	-36.4%	-7,551	16.6%
North East	1,373	5,843	3,047	-47.9%	-2,796	3.8%
North West	4,309	5,480	5,820	6.2%	340	7.3%
Yorkshire and The Humber	1,412	3,738	7,378	97.4%	3,640	9.3%
East Midlands	**2,149**	**6,888**	**2,839**	**-58.8%**	**-4,049**	**3.6%**
West Midlands	**4,443**	**5,571**	**8,252**	**48.1%**	**2,681**	**10.4%**
East of England	2,066	3,421	2,613	-23.6%	-808	3.3%
London	13,832	18,125	20,647	13.9%	2,522	26.0%
South East	2,538	4,098	3,941	-3.8%	-157	5.0%
South West	2,242	2,533	3,908	54.3%	1,375	4.9%
Scotland	3,245	4,408	3,428	-22.2%	-980	4.3%
Wales	1,529	1,793	3,062	70.8%	1,269	3.8%
Northern Ireland	1,326	2,112	1,416	-33.0%	-696	1.8%
Midlands	**6,592**	**12,459**	**11,091**	**-11.0%**	**-1,368**	**14.0%**
Total	**55,319**	**84,759**	**79,549**	**-6.1%**	**-5,210**	**100%**

- The increase in new jobs created was due to Greater Birmingham & Solihull increasing by 1,713 (to 3,776), Coventry & Warwickshire LEP increasing by 1,661 to 3,195 and Black Country LEP increasing by 55 to 634.

All FDI and European Union (EU) Split

- 43.4% of Midlands FDI projects (UK: 38.4%) and 45.1% of new jobs created (UK: 36.1%) were from the EU between 2021-22 to 2022-23.

Net Zero and Research & Development

- The Midlands accounted for the highest number of FDI projects for Net Zero at 47 (22.3% of total), which created 4,278 new jobs in 2022-23. Also, 57 FDI projects, creating 2.321 new jobs were linked to Research and Development.

Source: Department for Business & Trade (DBT) inward investment results 2022 to 2023 – released June 2023.

DISCLAIMER OF LIABILITY
Every effort is made to provide accurate and complete information however we make no claims, promises or guarantees and expressly disclaim any liability for errors, omissions or actions taken by others on the basis of information provided.

For any queries please contact: Professor Delma Dwight (Delma.Dwight@theeiu.org)

In Partnership: