MIDLANDS ENGINE OBSERVATORY

MIDLANDS ENGINE

REGIONAL ECONOMIC IMPACT MONITOR

EDITION 46: MARCH 2024

Executive Summary

There continues to be signs of mixed business confidence in the Midlands. News of **falling inflation** will be a relief to businesses, however **interest rates remaining unchanged since last month** will prolong the period of uncertainty for firms grappling with high borrowing costs. This Regional Economic Monitor, the March 2024 edition, explores these recent trends, as well as other key recent announcements / releases and **considers what it all means for the Midlands.**

Positively, the regional economy appears to be recovering from its technical recession – with **future outlooks and forecasts for the year ahead predicting growth**, albeit low, and providing some optimism:

- EY's Regional Economic Forecast suggests that the **West Midlands is set to grow 0.8% in 2024,** with the **East Midlands not too far behind at 0.6%.** Growth of 1.7% is expected in both the East Midlands and West Midlands between 2024-27, the joint fifth of all UK regions.
- Business confidence in West Midlands manufacturers remains high at 6.9, the 3rd highest out of all UK regions, with East Midlands business confidence at 6.4.
- The **West Midlands Business Activity Index remained at 53.1** in February 2024**, while the East Midlands Index increased** from 51.6 in January 2024 to **54.2** in February 2024**.**
- **The Midlands area accounted for 23.7% of England's goods exports** - above London and the South East totalling £62.4bn in 2023. This strong performance is due to an £8bn increase in machinery and transport exports.

National forecasts published by OBR as part of the Spring Budget expect **inflation to fall further to an average of 2.2%** this year and **1.5% in 2025**, driven by anticipated falls in global energy prices**.**

However, the OBR is clear that the economy still faces significant structural challenges and emphasise that the **post-pandemic rise in economic inactivity is likely to prove more persistent than previously thought**. A softer labour market, skills shortages, and increasing claimants and their **ongoing impact to the Midlands cannot be underestimated. Economic inactivity is likely to be constraining employment growth and thus the economic prosperity of the region:**

- There were **282,160 claimants aged 16 years and over** in the Midlands Engine area in February 2024, an increase of 10,660 claimants (+3.9%, UK +4.0%) since the previous month.
- There were **54,690 claimants aged 16-24 years old** in the Midlands Engine area in February 2024 – an increase of 1,800 youth claimants since January 2024.
- **Hiring activity in the Midlands declined further during February.** Despite employer demand narrowing, those seeking work (wanting a job) currently remains heightened**.** This is also reflected in falling job postings.

Separately, this month's monitor presents information related to other present business challenges such as:

- The FSB Small Business Index (SBI) decreased to -15.0 in Q4 2023 from -8.0 in Q3, indicating that **SMEs expect a faster decline in business performance than they did last quarter.** This represented the SBI's seventh consecutive negative reading. The West Midlands reported a reading of -19.6 and the East Midlands reported a reading of -32.1.

While the monitor also presents some positive news:

- R&D spend: **The Midlands in total accounted for 12.4%** or £6.2bn of the UK expenditure on Research and Development. 4.7% or nearly £2.4bn in the East Midlands and 7.7% or £3.8bn in the West Midlands.
- Net Zero Economy: Net zero businesses in the West Midlands are **twice as productive as the average industry,** with the region **receiving the highest levels of net zero related FDI projects** in 2022-23. The East Midlands had the 2nd lowest number of net zero FDI projects, despite 44% of its constituencies reliant on the sector.

As March welcomed International Women's Day, we explore how some **barriers make it less likely that women will attempt to start a business**, such as pervasive gender stereotypes and a lack of representation of female entrepreneurs and role models. The Gender index 2024 reveals the regions success in female led enterprises as the **West Midlands has the highest percentage of female-led companies across the UK at 20.8%,** while the East Midlands ranks 3rd at 20.1%. Furthermore, women make up 57% of undergraduates and are more likely to earn a first or 2:1 degree. Despite all this, **the gender pay gap is currently reported at 14.4% economy-wide, and 11.9% within higher education. Staffordshire University is the only Midlands university without a gender pay gap.**

More broadly, this month covers a series of different work on inclusive growth across the UK and we introduce a report **measuring the economic contribution of the region's aerospace cluster and explored the distribution of R&D funding across its supply chains.**

1. Economic and Labour Market Impacts

Global and National Outlook

Global

Global Economic Outlook Q1 2024

Euromonitor International have made their forecast for Q1 of 2024. The key findings of the report are as follows: **In 2024, the global economy is expected to register slowing growth for the second consecutive year**. This is primarily due to the dampening effect of high interest rates in most major economies globally, in addition to weakening growth in China, the world's second largest economy. **This comes after global growth consistently outperformed expectations in 2023, withstanding numerous headwinds, especially ongoing and widening geopolitical tensions.**

Amidst the slowdown, the global economy will experience a gradual normalising of economic conditions following the profound disruptions in recent years with expectations of inflation further easing and monetary policy loosening. This is expected to support a **reaccelerating global growth momentum that will further strengthen in 2025.**

In Euromonitor International's Q1 2024 baseline forecast, **the global real GDP growth forecast for 2024 is 2.7%**, unchanged from the Q4 2023 forecast, and **3.1% in 2025**. Global inflation is expected to further decelerate to 5.4% in 2024 and 3.6% in 2025.

Baltimore Bridge Collapse

Concerns have been raised of a **"ripple effect" on global supply chains** after a container ship crashed into a support column of the Francis Scott Key Bridge bridge in the US city of Baltimore, causing it to collapse. The bridge spanned the entrance to the Port of Baltimore, the **busiest port in the US for car exports and the ninth-busiest for foreign cargo**. Officials have said that maritime traffic through the port - which last year amounted to more than **47 million tonnes of foreign cargo - will be suspended "until further notice".**

More than 750,000 cars and vehicles passed through Baltimore in the last year. These include US, UK and EU brands such as General Motors, Ford, Jaguar Land Rover, Nissan, Fiat, and Audi. **Baltimore is the busiest US port for car shipments, and also the largest US port by volume for handling farm and construction machinery. It is also the second biggest port for US coal exports.** As well as maritime traffic, the Port of Baltimore is directly responsible for approximately 15,000 jobs and supports an estimated 140,000 more.

National

The Spring Budget – 6th March 2024

Spring Budget introduced several measures aimed at providing relief and assistance to individuals and families. Notably, **National Insurance on employee wages is set to be reduced by 2%**, while the **threshold for full child benefits eligibility is raised to £60,000**. Additionally, a new **£5,000 "British ISA" tax allowance** for individual savers investing in UK-listed companies is introduced, alongside other provisions like **extending repayment periods for government emergency budgeting loans and scrapping certain fees**. The budget also ensures the continuation of a government fund aiding those grappling with the cost of living pressures for another six months, while **increasing the VAT registration threshold** to exempt around 28,000 small businesses from VAT payments. In the realm of public services, a substantial £4.2 billion investment plan aims to enhance service delivery through technological advancements, with significant portions allocated to the NHS for digital transformation. This includes a £3.4 billion boost to invest in new technologies and digital upgrades.

Office for Budget Responsibility Economic and Fiscal Outlook – March 2024

The OBR have released an update to their forecasts for the UK economy over a five-year horizon.

The UK economy, despite facing challenges from the pandemic and geopolitical tensions like the Russian invasion of Ukraine, is experiencing **declining inflation but stagnant output**. **While inflation has receded faster than anticipated, leading to optimism for near-term growth and improved living standards, the medium-term economic outlook remains uncertain.** Changes in population size and workforce dynamics have minimal impact on GDP forecasts over the next five years. The public finances outlook mirrors that of November, with lower inflation and interest rates affecting government costs and revenues.

The budget introduces net tax cuts, including reductions in national insurance contributions, but **borrowing remains largely unchanged in the long term. Risks around the central forecast include potential rebounds in inflation, uncertainties in economic drivers like migration and productivity, and fluctuations in interest rates.** Fiscal projections rely on assumptions of record-high tax revenues and restrained public spending growth, despite commitments to increase spending on certain services.

Policy Considerations

THEME	KEY INSIGHTS
Outlook	• Recent data from the Office for National Statistics (ONS) reveals **monthly real gross domestic product (GDP) is estimated to have grown by 0.2% in January 2024, following a fall of 0.1% in December 2023.** Real GDP is estimated to have fallen by 0.1% in the three months to January 2024, compared with the three months to October 2023. **Boosted by stronger sales in shops and online, alongside increased construction activity, have seen the UK economy return to growth in January.** • **The dip in economic activity at the end of 2023 does have implications for 2024 growth.** The EY ITEM Club winter forecast projected a growth of 0.9% for 2024. However — given the disappointing end to 2023 — this forecast is likely to be revised down in the spring forecast at UK and regional level. • Although economic activity has picked up since the start of the year, **the outlook remains weak by historical standards**. NIESR **forecast GDP to grow by 0.3% in the first quarter of 2024**. This forecast remains broadly consistent with the longer-term trend of low, but stable economic growth in the UK. • KPMG's latest UK Economic Outlook then expects **GDP growth to accelerate to 0.9% in 2025**, with longer-term economic growth expected to reach just 1% this decade. • The latest EY Regional Economic Forecast highlights how **economic momentum is set to return to all parts of the UK between 2024 and 2027,** following a turbulent 2023. • The Regional Economic Forecast expects **growth to remain subdued for much of 2024**, before rising real wages and lower energy prices see economic momentum begin to build towards the end of the year. GVA growth in the West Midlands is expected to be 0.8%, the 4th highest region and matching the UK average, with the East Midlands expecting growth of 0.6%. The West Midlands employment growth is set to be just 0.1%, whereas the East Midlands is set to decrease by 0.1%. • Moderate levels of growth are expected to return from 2025 and 2026, with both the West and East Midlands set to grow by 1.7% between 2024-2027, the joint 5th of all UK regions. **Employment growth of 0.9% is expected in the West Midlands region, with 1% predicted for the East Midlands.**
Trading Conditions	• While there were concerns that the **Spring Budget felt like it prioritised individuals over business**, there were targeted measures for certain sectors, and some **promises for the future such as incentives to drive investment** which will come as welcome news to Midlands businesses. • The recent Budget contained some help for small firms, notably the **raising of the VAT threshold from £85,000 to £90,000 and the cut to National Insurance contributions, but small firms hoped for more help with day-to-day costs.** • **The Consumer Prices Index** including owner occupiers' housing costs (CPIH) **rose by 3.8%** in the 12 months to February 2024, down from 4.2% in January. **The Consumer Prices Index (CPI) rose by 3.4%** in the 12 months to February 2024, down from 4.0% in January. • All of this comes as welcome news to businesses, who are clear about the factors that are holding back growth – high inflation, high interest rates, skills shortages, a lack of infrastructure investment, and trade barriers with the EU. • The decision to hold interest rates at 5.25% was widely expected. However, it prolongs the period of uncertainty for firms grappling with high borrowing costs. • **Hundreds of businesses across the Midlands could potentially benefit from up to £1bn in growth investment** following the launch of the £400m Midlands Engine Investment Fund II (MEIF II). • The FSB Small Business Index (SBI) decreased to -15.0 in Q4 2023 from -8.0 in Q3, indicating that **SMEs expect a faster decline in business performance than they did last quarter.** This represented the SBI's seventh consecutive negative reading. The West Midlands reported a reading of -19.6 and the East Midlands reported a reading of -32.1 • The Bank of England reveals **businesses reported financial constraints (high borrowing costs and strict collateral requirements) and economic uncertainty as the key reasons for underinvestment**. • **This has translated into increased rates of insolvency across the Midlands** during February. **West Midlands insolvency-related activity jumped by 35%** last month compared to January and by **27% in the East Midlands.**
Labour Market	• There are ongoing signs that the **labour market is softening**, with employers hesitant to commit to new hires. A **lower participation rate - due to adverse population trends and a larger proportion of the population actively choosing not to look for work** - could leave the supply of labour relatively low. • The latest **KPMG and REC UK** Report on Jobs survey, compiled by S&P Global showed the Midlands was the only monitored English area to register **an increase in temp billings during February.** Permanent placements in the Midlands fell at their slowest pace for three months. • NIESR report that while **pay growth softens, it remains strong by historical standards:** The annual growth rate of average weekly earnings, including bonuses, was 5.6% in the three months to January 2024 while pay growth excluding bonuses was 6.1%. **These figures indicate that wage growth continued to soften at the start of 2024**, after peaking in mid-2023.

UK Regional Economic Forecast

Ernst and Young LLP released their ninth regional economic forecast for the UK addressing the differences in performance across the UK and the implications of regional economic performance on local and central government.

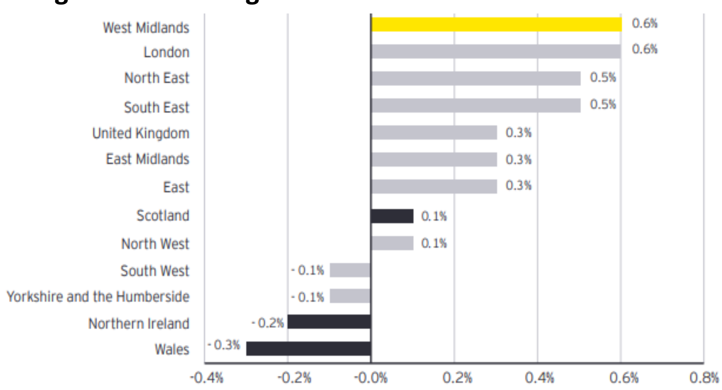
Economic Performance

The UK experienced a challenging year in 2023 in the face of high (albeit falling) inflation and continued increases in interest rates, with the economy ending the year in a recession. Regions across the country generally showed weak economic performance with many regions seeing outright falls in activity. **The fastest growing region was the West Midlands achieving Gross Value Added (GVA) growth of 0.6%, a contributing factor to this is the region's strong manufacturing sector benefitting continued normalisation in supply chains and lower energy prices compared to 2022. The East Midlands saw growth of 0.3%.** The national outlook is expected to improve through 2024, with falling inflation opening the path for interest rate reductions - this should alleviate cost-of-living pressures over the course of the year. The latest data from the ONS (issued on February 15th) suggested that the economy grew by just 0.1% across 2023 as a whole, and fell into a recession in the second half of the year.

The Labour Market

The UK remains the only major OECD country where the labour market participation rate has yet to return to pre-pandemic norms. However, whilst we did see an increase in the unemployment rate across all regions of the UK (except for London), it still remains at historically low levels — with the unemployment rate rising from 3.7% to 4.1% for the UK as a whole. There are significant variations in participation across the country with high levels of activity being seen in Northern Ireland, Wales, the North East and the North West. **Addressing inactivity by encouraging people back into work, could help contribute to closing some of the disparities in regional growth performance.** Policy could also seek to ensure that re-skilling is focused towards sectors where demand for labour will be the greatest — the fastest growing regions of the UK have been able to build up critical mass in the fastest growing sectors — particularly in information and communication, and professional services. This strength in the labour market, despite a stagnant economy, probably prevented a more severe recession given the inflationary squeeze on the cost-of-living. However, at the same time, a robust labour market will continue to cause concerns for the Bank of England, as **tight labour markets are translating into increased wage pressures**, which in turn could delay cuts in interest rates.

GVA growth in UK regions and nations 2023:



Unemployment rate in UK nations and regions:

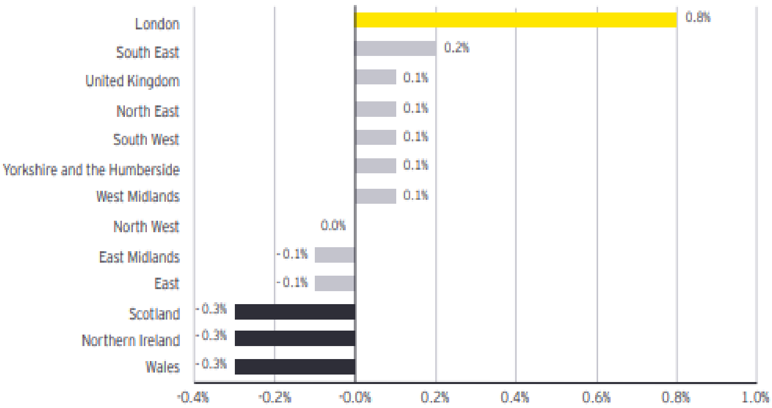
Outlook for 2024 and Beyond

Although the UK economy closed the year having slipped into recession, the outlook is expected to improve through 2024. Inflation is on track to fall back below 2% by late spring, which should open the path for the Bank of England to reduce interest rates. This combined with rising real wages, and lower energy prices, should provide momentum particularly in the second half of the year. However, **the dip in activity at the end of 2023 does have implications for 2024 growth.** The EY ITEM Club winter forecast was for growth of 0.9% for 2024. However — given the disappointing end to 2023 — this forecast is likely to be revised down in the spring forecast at UK and regional level. The East of England is expected to experience the lowest rate of growth in 2024 at 0.6%. This is explained by a relatively stagnant performance of the labour market, with flat total employment and continued increase in the unemployment rate, plus some declines in activity expected in agriculture, forestry and fishing, real estate activities, water services and arts and recreation. Similarly, **in the East Midlands, growth will be impacted by weaker performance in consumer facing sectors, with manufacturing (-0.7%) and arts, entertainment and recreation (-1.4%) forecast to see declines in GVA.** There will continue to be significant differences in growth rates between sectors, and hence the relative strength of each sector across regions will dictate growth differences seen nationally. The **East Midlands** is expected see slow growth in comparison to the rest of the UK at 0.6%, with the **West Midland's** growth is expected to be 0.8%. All UK regions are expected to see positive growth in 2024.

Employment

Movement in employment is expected to be consistent with GVA performance at a national and regional level. London employment growth is also expected to lead the UK during 2024, although growth remains relatively low, at 0.8%. Other parts of the South of England are expected to see employment growth towards the higher end of the range. Similarly, in Wales (-0.3%), the East of England (-0.1%) and **East Midlands** (-0.1%), a decline in employment is anticipated, consistent with the weak GVA growth in the region. GVA growth of 0.1% is expected in the West Midlands.

Employment growth in UK regions and nations 2023:



Performance across the UK at a city and town level

The variation in performance across core cities in the UK, was more pronounced than that observed between regions and nations**.** A number of cities saw a contraction in activity, including **Birmingham** (-0.8%) and **Nottingham** (-0.6%). **Cost-of-living pressures likely played a part in this with these cities experiencing a fall in consumer spending during the year. Birmingham and Nottingham have the lowest disposable income per capita of any cities in the UK, providing less flexibility absorb hikes in living costs**. Birmingham in particular struggled with many sectors shrinking during the year – most significantly in wholesale and retail trade and financial and insurance activities. The effect on overall GVA growth in the city was compounded by low productivity in higher growth sectors compared with the rest of the country, measured in terms of GVA per worker. This includes administrative and support services (GVA per worker is 41% lower) and manufacturing (GVA per worker is 14% lower). **All major cities except for Nottingham are expected to outstrip UK average GVA growth during 2024.** Birmingham and Nottingham are expected to lag other core cities — with growth of just 0.8% in Nottingham and 0.9% in Birmingham.

Regional Labour Markets

There are significant regional disparities in terms of economic inactivity. London (1.5%), the South East (1.3%) and South West (1.2%) are all forecast to see the highest rates of annual employment growth between 2024-27. In contrast, Scotland (0.8%), the North East (0.9%) and Northern Ireland (0.9%) all have higher rates of inactivity relative to other regions and are forecast to see the lowest rates of employment growth during the medium-term. This highlights a structural employment issue — **economic inactivity is likely to be constraining employment growth and thus the economic prosperity of selected regions.** Differences in social provision and support can perhaps help us to understand at least part of what is driving the regional disparity in inactivity. Looking after family constitutes the third most common reason for economic inactivity across the UK. Similarly, other factors which contribute to economic inactivity are presumably influenced to some extent by the standard of healthcare provision in the local area. Targeted intervention could help to alleviate barriers to labour force participation, such as addressing long-term sickness and ensuring accessibility to parental support. Policy could also seek to ensure that re-skilling is focused towards sectors where demand for labour will be the greatest, considering structural changes in the UK economy.

Implications for Policy

The combined shocks of the pandemic and energy crisis fuelled inflation, with all major central banks responding by increasing interest rates have significantly affected the UK with different impacts across each regions and nation. Addressing these regional and geographic imbalances remains an essential priority of policy makers in the UK. The report highlights how incentivising people back into employment will help to address some structural challenges. Given the UK has a strong sectoral focus in retail, manufacturing, and finance - **policymakers could direct initiatives nationally aimed at improving workplace health and wellbeing, with a focus on-flexible working conditions, ergonomic adjustments, mental health support and improving the support available to people with long-term sickness.** Even though employment is forecast to grow across most sectors in the UK, some sectors are set to decline, and they appear to be concentrated in regions anticipating muted growth. Given this, **policymakers should consider a range of measures to invest in skills development aimed at high value employment plus retraining opportunities for those facing long-term sickness, disability or are out of the workforce due to cost-of-living constraints.** Based on what we have noted on inactivity in the labour market, **policymakers should focus regionally and nationally on improving accessible transport infrastructure, including infrastructure for walking and cycling, in order to facilitate active travel options for individuals facing financial constraints or mobility issues due to sickness.**

Business Activity

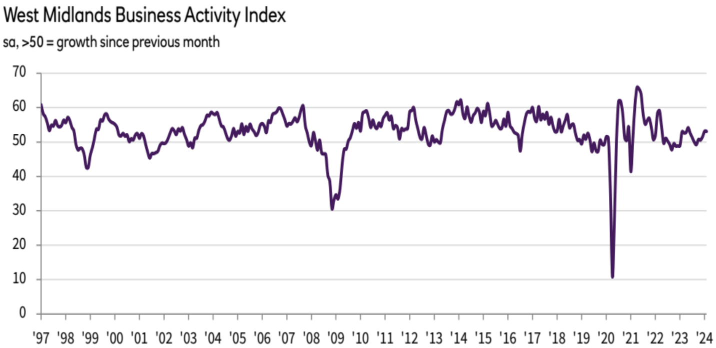
Business Activity Index

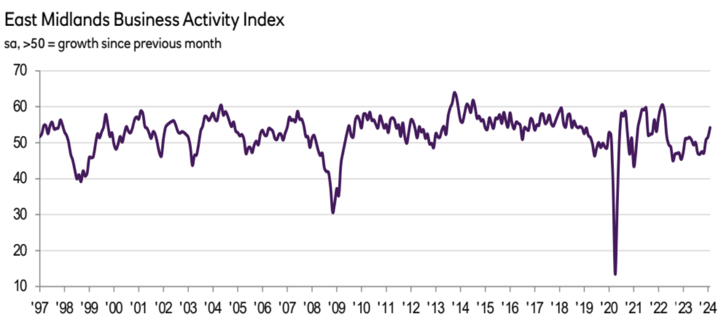
The **West Midlands Business Activity Index remained at 53.1 in February 2024.** This reading still indicates an increase in business activity which was due to new orders, demand resilience and promotional activity.

The East Midlands Business Activity Index increased from 51.6 in January 2024 to 54.2 in February 2024, the fastest growth rate since April 2022. The increase in business activity was linked to stronger client demand and increased investment.

The UK Business Activity Index increased from 52.9 in January 2024 to 53.0 in February 2024.

Business Activity Index Trends:





Source: NatWest UK PMI, March 2024

Demand

The West Midlands New Business Index decreased from 51.5 in January 2024 to 50.9 in February 2024. Despite the fall, this is the 13th consecutive month of growth. Growth was restricted due to economic uncertainty and sufficient stock levels among customers. **The East Midlands New Business Index increased from 51.6 in January 2024 to 52.8 in February 2024**, the second consecutive month of growth (and fastest growth seen in almost two years). The increase was linked to stronger client demand and the onboarding of new clients.

Exports

The **West Midlands Export Climate Index increased from 50.2 in January 2024 to 51.3 in February 2024**, the second consecutive month of improvement in trade conditions. The **East Midlands Export Climate Index increased from 50.2 in January 2024 to 51.4 in February 2024**, strongest rise since mid-2023.

Business Capacity

The **West Midlands Employment Index decreased from 50.0 in January 2024 to 49.0 in February 2024**, the second decline in three months. **The East Midlands Employment Index decreased from 49.1 in January 2024 to 49.0 in February 2024**. For both regions, Lower employment was in part due to the non-replacement of voluntary leavers due to cost considerations.

The **West Midlands Outstanding Business Index increased from 47.4 in January 2024 to 47.7 in February 2024.** The fall was linked to subdued demand conditions, efficient gains and staff working overtime. **The East Midlands Outstanding Business Index decreased from 48.7 in January 2024 to 47.5 in February 2024.** The fall in backlogs of work was driven by manufacturers who registered a sharp decrease in work-in-hand.

Prices

The **West Midlands Input Prices Index increased from 59.9 in January 2024 to 61.3 in February 2024**, this was at a seven-month high. The **East Midlands Input Prices Index increased from 61.6 in January 2024 to 63.1 in February 2024.** The increase was linked to additional shipping and transportation costs and increased supplier charges.

The **West Midlands Prices Charged Index decreased from 57.3 in January 2024 to 57.2 in February 2024.** Some firms hiked fees while other reduced them in an attempt to boost sales and expand market shares. The **East Midlands Prices Charged Index increased from 54.8 in January 2024 to 56.8 in February 2024**.

Outlook

The West Midlands Future Business Activity Index decreased from 78.1 in January 2024 to 76.8 in February 2024. Despite the fall, 58% of firms expect to see an increase in output volumes and only 4% reporting pessimism. Firms were also optimistic due to hopes of better demand conditions and marketing effects.

The East Midlands Future Activity Index increased from 68.2 in January 2024 to 76.0 in February 2024, highest since January 2022. Optimism was linked to investment in new product and service lines, increased marketing and hopes of further new business activity**.**

Out of the twelve UK regions, the West Midlands was third highest and the East Midlands was fifth highest for the Future Business Activity Index in February 2024.

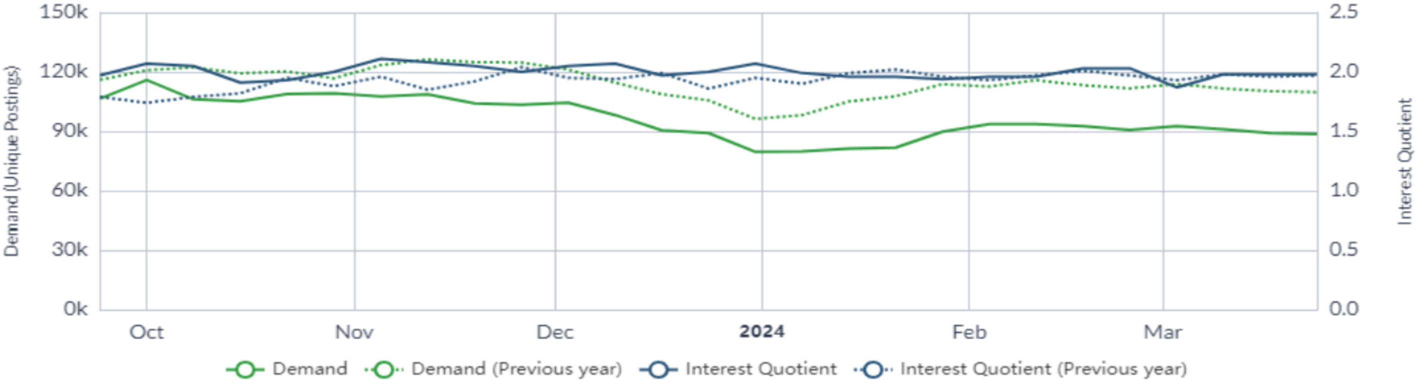
Source: NatWest: UK PMI report for February 2024, released March 2024.

Labour Market and Job Postings

The latest ONS data reveals a **subdued labour market**, with **employment stagnant** and national unemployment still below 4%. However, the latest figures report a **significant rise in economic inactivity**, with now 700,000 more people out of the labour force compared to 2020. This is attributed partly to weaker demand due to higher interest rates and living costs but also from an increase in people reporting long-term health conditions. Labour and skills shortages also seem to be hindering a stronger recovery. Vacancies continue to fall but still remain higher than pre-pandemic levels.

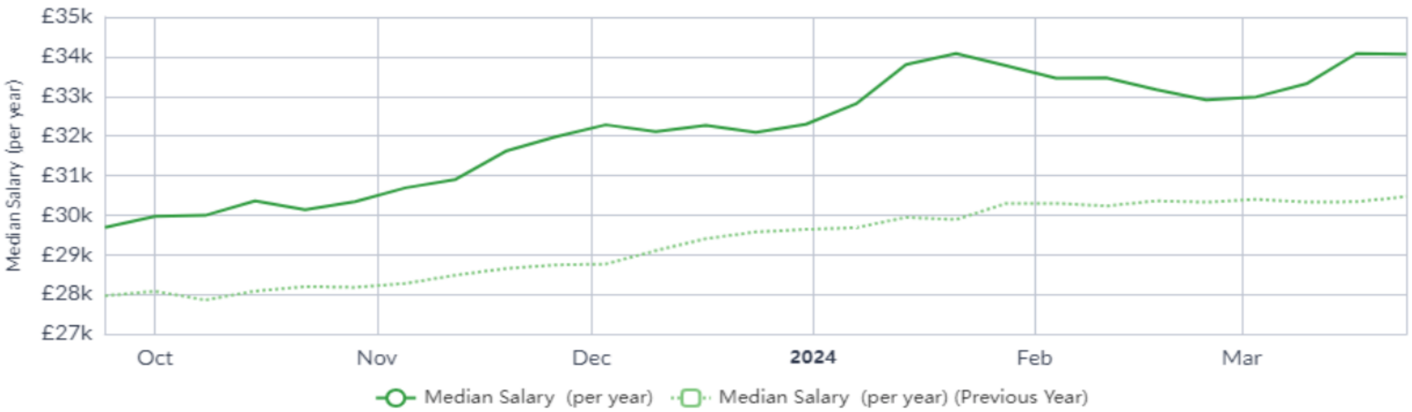
The latest job postings data shows that the **number of postings across the Midlands dropped 20.1% over the last six months to 823,179**. Despite employer demand narrowing, those seeking work - wanting a job, currently remains heightened (2.0 Interest Quotient).

Overall Demand and Interest for the Midlands:

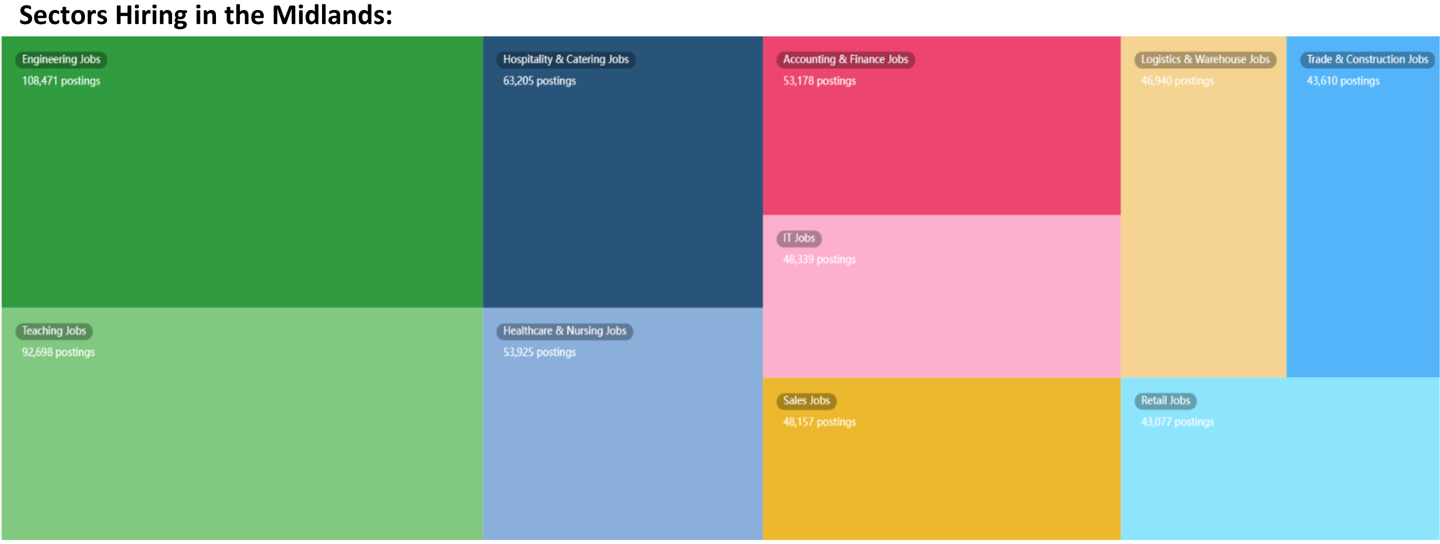


The **advertised median salary across the Midlands has increased by 9.9%** year-on-year to £32,120 per year.

Salary Trends for the Midlands:



Sectors Hiring in the Midlands:



Job posting demand was greatest for roles in engineering, teaching and hospitality & catering. These sectors accounted for 32.1% of all job postings in the last six months.

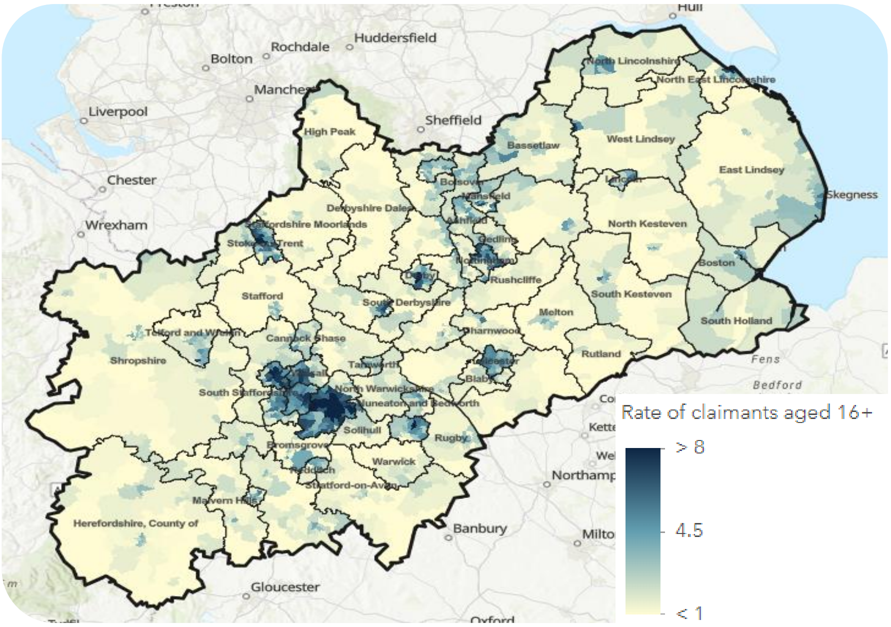
Source: Adzuna Limited Job Posting Intelligence, Accessed Mar 2024. The Interest Quotient uses jobseeker data to quantify the level of interest in particular roles.

Labour Market Impacts: Claimants

There were **282,160 claimants aged 16 years and over** in the Midlands Engine area in February 2024, an increase of 10,660 claimants (+3.9%, UK +4.0%) since the previous month. **There are 60,620 more claimants (+27.4%, UK +27.2%) when compared to March 2020**. East Lindsey and North East Lincolnshire have lower levels of claimants now than in March 2020 (-325 and -115 respectively).

The number of claimants as a percentage of residents aged 16 years and over was 3.3% in the Midlands Engine and 3.0% for the UK in February 2024.

Claimants as a Percentage of Residents Aged 16 Years and Over in February 2024:



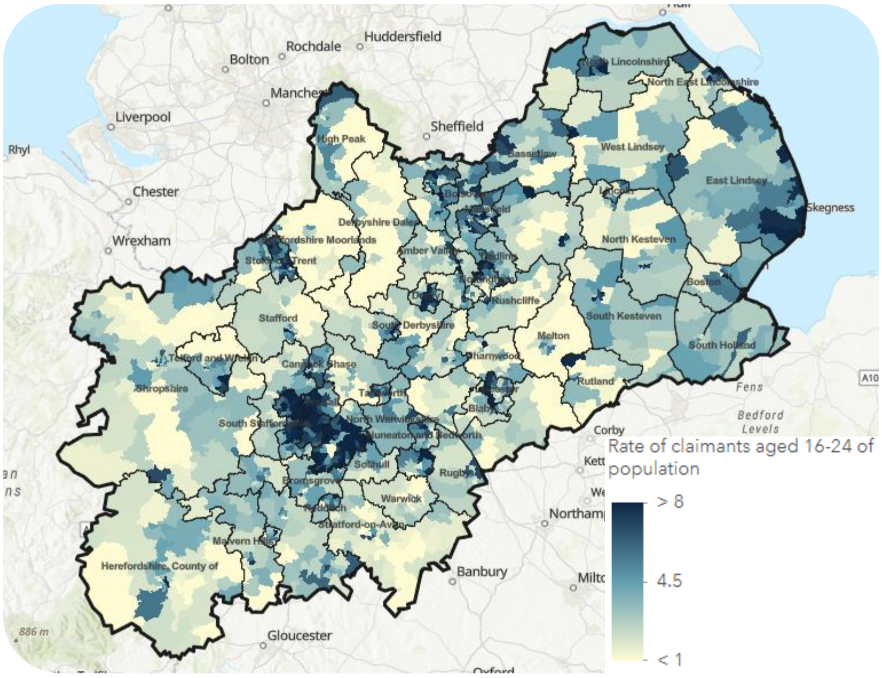
Out of the 1,511 wards within the Midlands Engine, 425 were at or above the UK average of 3.0% for the number of claimants as a percentage of the population aged 16 years and over in February 2024.

The wards with the highest number of claimants as a percentage of the population were based in Birmingham, with Handsworth and Lozells highest at 16.5% and 16.4% respectively. This was followed by Aston at 15.6% and then Birchfield at 15.4%. In contrast, the lowest proportion was in Keele (Newcastle-Under-Lyme) at 0.2%.

There were **54,690 claimants aged 16-24 years old** in the Midlands Engine area in February 2024 – an increase of 1,800 youth claimants since January 2024. This equated to an increase of 3.4%, with the UK increasing by 3.1%. Since March 2020, **the number of youth claimants has increased by 10,495** (+23.7%, UK +18.7%). There were 6 local authorities in the Midlands Engine that had lower levels than March 2020 and a further 3 that were the same level.

The number of claimants as a percentage of residents aged between 16-24 years old was 4.8% in the Midlands Engine and 4.1% for the UK in February 2024.

Claimants as a Percentage of Residents Aged 16-24 Years in February 2024:



Out of the 1,511 wards within the Midlands Engine, 607 were at or above the UK average of 4.1% for the number of claimants as a percentage of the population aged 16–24 years and over in February 2024.

The ward with the highest number of claimants as a percentage of the population was Handsworth (Birmingham) at 17.0%, followed by Joiner's Square (Stoke-on-Trent) at 15.5% and Portland (Mansfield) at 14.9%. In contrast, within the Midlands Engine there were 99 wards with no youth claimants in February 2024.

An interactive version can be found here.

Source: ONS/ Department for Work and Pensions, March 2024.

2. Business Environment

The Midlands Trade in Goods

In 2023, the Midlands area exported £62.4bn worth of goods and imported £76.0bn – leading to a trade in goods deficit of £13.6bn.

- The West Midlands exported £34.9bn and imported £42.5bn – a trade in goods deficit of £7.6bn.
- The East Midlands exported £27.5bn and imported £33.5bn – a trade in goods deficit of £6.0bn.

Goods Exported

In 2023, exports from the Midlands area were worth £62.4bn which has increased by £8.2bn (+15.2%) since 2022. The UK decreased by 2.3% to £365.7bn.

- Since 2022, the West Midlands region exports in goods increased by nearly £5.0bn (+16.6%, joint highest percentage increase with Northen Ireland) to £34.9bn in 2023.
- East Midlands goods exports increased by nearly £3.3bn (+13.4%, just behind West Midlands and Northern Ireland) to £27.5bn in 2023.

The Midlands area accounted for 23.7% of England's goods exports - above London and the South East.

Quarter-on-quarter (Q4 2023 – Q3 2023) analysis shows total goods exports from the Midlands increased by £1.8bn (+11.7%, UK +5.9%) to £16.7bn; the West Midlands increased by £1.2bn (+15.1%), the East Midlands increased by £516m (+7.6%).

- EU exports from the Midlands increased by £839m (+12.8%, UK +3.6%). The West Midlands increased by £536m (+15.1%) and the East Midlands increased by £3.3m (+10.1%).
- Non-EU exports from the Midlands increased by £910m (+10.9%, UK +8.3%). The West Midlands increased by £697m (+15.1%) and the East Midlands increased by £213m (+5.7%).

Latest annual quarterly (Q4 2023 – Q4 2022) analysis shows total goods exports from the Midlands increased by £1.4bn (+8.8%, UK -6.3%). The West Midlands increased by £753m (+8.7%) and the East Midlands increased by £598m (+8.9%).

- EU exports from the Midlands increased by £834m (+12.7%, UK -8.7%). The West Midlands increased by £634m (+18.3%); the East Midlands increased by £200m (+6.4%).
- Non-EU exports from the Midlands increased by £516m (+5.9%, UK -3.9%) as the West Midlands increased by £118m (+2.3%) and the East Midlands increased by £398m (+11.1%).

Goods Imported

In 2023, imports to the Midlands area were worth £76.0bn, an increase of £418m (+0.6%) since 2022. UK-wide total imports decreased by 5.4% to £597.6bn.

- Since 2022, the value of West Midlands region goods imports decreased by £131m (-0.3%) to £42.5bn in 2023.
- East Midlands imports increased by £549m (+1.7%) to £33.5bn in 2023.

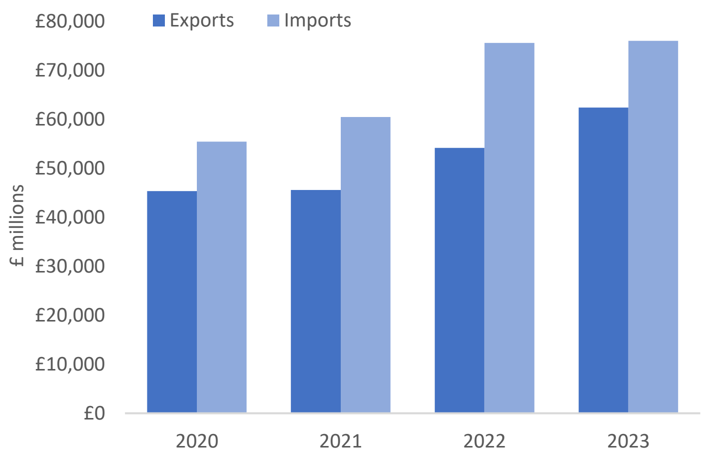
Quarter-on-quarter analysis shows **total goods imports to the Midlands increased by £1.0bn (+5.6%, UK +7.4%).**

- EU imports to the Midlands increased by £891m (+8.5%, UK +6.2%).
- Non-EU imports to the Midlands increased by £117m (+1.6%, UK +8.8%). The West Midlands decreased by £21m (-0.5%).

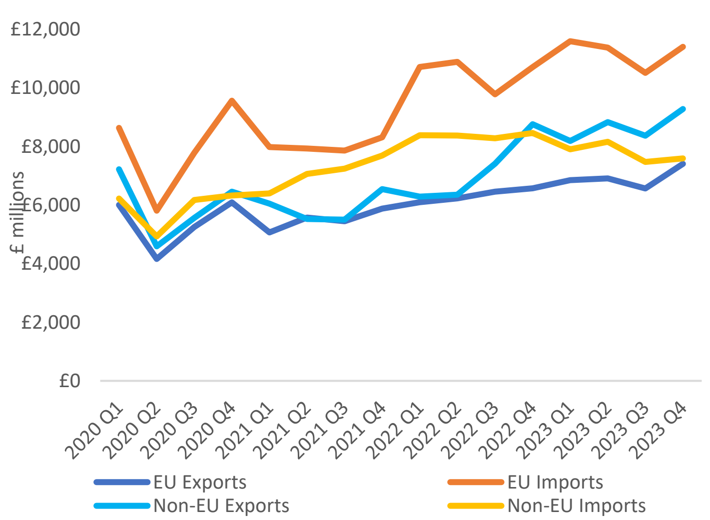
Annual quarterly analysis shows **total goods imports to the Midlands decreased by £176m (-0.9%, UK -8.7%).** The West Midlands decreased by £192m (-1.8%) whereas the East Midlands increased by £16m (+0.2%).

- EU imports to the Midlands increased by £695m (+6.5%, UK +1.3%).
- Non-EU imports to the Midlands decreased by £870m (-10.3%, UK -18.2%).

The Midlands total value of goods exported and imported trends:



The Midlands value of goods exported and imported split by quarter and EU/Non EU trends:



Source: : HM Revenue & Customs, UK regional trade in goods statistics, fourth quarter, October to December 2023

The Midlands Trade in Goods

Standard International Trade Classification (SITC)

- The total value of goods exports in five of the ten SITC sections increased for the Midlands since 2022. The sections that increased were food & live animals, manufactured goods, machinery & transport, miscellaneous manufactures and other commodities nes.
- **The largest SITC section for goods exports in the Midlands area was machinery and transport at £44.0bn – 70.5% of total; of which nearly £26.8bn (60.8%) went to non-EU locations. Since 2022, overall, this SITC section increased by £8.0bn (+22.1%).**
- The total value of imports in seven of the ten SITC sections decreased for the Midlands when compared to 2022.
- The three SITC sections that increased were food & live animals, machinery & transport and other commodities nes.
- The largest SITC section for goods imports to the Midlands area was machinery & transport at £39.0bn, which is 51.4% of total imports (of which 60.5% or £23.6bn of imports for this section was from the EU). This section overall has increased since 2022 by £4.7bn (+13.7%).

Goods exported and imported by SITC section:

Figures in £m	Midlands			UK		
Total Exports by SITC Section	**2022**	**2023**	**% Change**	**2022**	**2023**	**% Change**
0 Food and Live Animals	£1,903	£1,949	2.4%	£15,585	£15,851	1.7%
1 Beverages and Tobacco	£104	£93	-10.6%	£9,222	£8,492	-7.9%
2 Crude Materials	£1,872	£1,602	-14.4%	£10,265	£8,601	-16.2%
3 Mineral Fuels	£381	£308	-19.2%	£50,063	£34,112	-31.9%
4 Animal and Vegetable Oils	£62	£46	-25.8%	£778	£613	-21.2%
5 Chemicals	£3,322	£3,227	-2.9%	£61,284	£58,833	-4.0%
6 Manufactured Goods	£5,681	£5,790	1.9%	£41,758	£34,087	-18.4%
7 Machinery and Transport	£36,028	£44,002	22.1%	£129,442	£147,248	13.8%
8 Miscellaneous Manufactures	£4,796	£5,348	11.5%	£41,560	£41,992	1.0%
9 Other commodities nes	£9	£13	44.4%	£14,479	£15,876	9.6%
Total Exports	£54,156	£62,376	15.2%	£374,435	£365,705	-2.3%
Total Imports by SITC Section						
0 Food and Live Animals	£6,381	£6,723	5.4%	£47,646	£50,810	6.6%
1 Beverages and Tobacco	£601	£547	-9.0%	£7,920	£8,108	2.4%
2 Crude Materials	£1,771	£1,514	-14.5%	£15,358	£12,890	-16.1%
3 Mineral Fuels	£2,553	£1,266	-50.4%	£111,450	£74,326	-33.3%
4 Animal and Vegetable Oils	£229	£190	-17.0%	£2,478	£2,200	-11.2%
5 Chemicals	£5,857	£5,088	-13.1%	£76,122	£66,172	-13.1%
6 Manufactured Goods	£13,026	£11,979	-8.0%	£67,072	£60,714	-9.5%
7 Machinery and Transport	£34,337	£39,032	13.7%	£201,504	£224,461	11.4%
8 Miscellaneous Manufactures	£10,799	£9,633	-10.8%	£83,569	£76,637	-8.3%
9 Other commodities nes	£3	£4	33.3%	£18,905	£21,311	12.7%
Total Imports	£75,556	£75,974	0.6%	£632,024	£597,630	-5.4%

Country Group

- **The highest value of goods exports from the Midlands area was to the EU at £27.7bn, accounting for 44.4% of the total. The value of goods exports to the EU has increased by £2.4bn (+9.4%) since 2022.**
- The highest value of imports to the Midlands area was from the EU at £44.9bn, which accounted for 59.0% of the total. Goods imports from the EU increased by £2.8bn (+6.6%) when compared to 2022.
- There was only one Country Group where goods exports from the Midlands slightly declined from 2022, this was from an undefined Country Group. While there were declines in imports to the Midlands from six Country Groups: Asia & Oceania, Eastern Europe (excl. EU), Middle East & North Africa (excl. EU), North America, Sub-Saharan Africa and Western Europe (excl. EU).

Goods exported and imported by Country Group:

	Midlands			UK		
Exports by Country Group	**2022**	**2023**	**% Change**	**2022**	**2023**	**% Change**
Asia & Oceania	£11,111	£14,084	26.8%	£59,161	£57,377	-3.0%
Eastern Europe (excl EU)	£603	£656	8.8%	£4,342	£3,881	-10.6%
European Union	£25,347	£27,726	9.4%	£194,415	£184,392	-5.2%
Latin America and Caribbean	£826	£832	0.7%	£6,250	£5,804	-7.1%
Middle East and North Africa (excl EU)	£3,229	£3,770	16.8%	£19,939	£21,746	9.1%
North America	£10,456	£12,474	19.3%	£59,600	£63,129	5.9%
Sub-Saharan Africa	£726	£735	1.2%	£6,067	£5,821	-4.1%
Western Europe (excl. EU)	£1,852	£2,094	13.1%	£15,923	£14,961	-6.0%
Undefined Country Group	£7	£6	-14.3%	£8,739	£8,595	-1.6%
Total Exports	£54,156	£62,376	15.2%	£374,435	£365,705	-2.3%
Imports by Country Group						
Asia & Oceania	£19,816	£18,400	-7.1%	£129,826	£118,787	-8.5%
Eastern Europe (excl EU)	£490	£251	-48.8%	£5,173	£1,774	-65.7%
European Union	£42,069	£44,858	6.6%	£308,772	£320,045	3.7%
Latin America and Caribbean	£1,292	£1,309	1.3%	£10,420	£8,222	-21.1%
Middle East and North Africa (excl EU)	£1,749	£1,691	-3.3%	£26,829	£19,124	-28.7%
North America	£5,624	£5,168	-8.1%	£65,691	£63,329	-3.6%
Sub-Saharan Africa	£940	£848	-9.8%	£11,006	£9,256	-15.9%
Western Europe (excl. EU)	£3,573	£3,449	-3.5%	£67,335	£48,504	-28.0%
Undefined Country Group	-	-	-	£6,970	£8,588	23.2%
Total Imports	£75,556	£75,974	0.6%	£632,024	£597,630	-5.4%

Small Business Index

The Federation of Small Businesses (FSB) released their [Small Business Index (SBI)]() report outlining the performance and prospects of small businesses in the UK for Q4 2023.

National Headlines:

- The FSB Small Business Index (SBI) decreased to -15.0 in Q4 2023 from -8.0 in Q3, **indicating that SMEs expect a faster decline in business performance than they did last quarter.**
- Information and communication was the only sector in which the index improved in Q4.
- Small businesses reported **falling revenues** in Q4, with a net balance of -6.0% in Q4 2023. Small businesses reported **falling employee numbers** in Q4 (net balance of -4.5%) and expect a further decline over the next three months (-1.2%). A three-year high of 15.5% of small businesses reported that they applied for credit in Q4 2023.

Regional Insights

In Q4 of 2023, **SBI scores remained negative across the majority of regions and nations.** The only optimistic region in Q4 was London, with an SBI score of 7.1. While both scores were negative, **the West Midlands saw an improvement in SBI between Q3 and Q4 of 2023.**

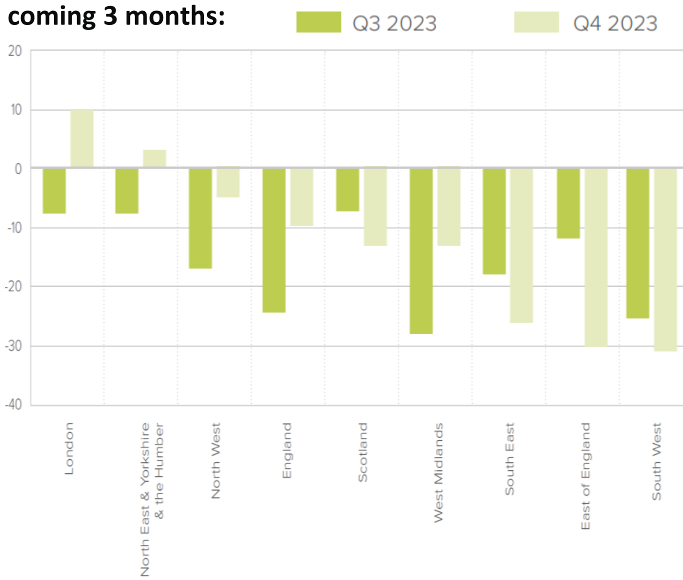
Small Business Sector Indices

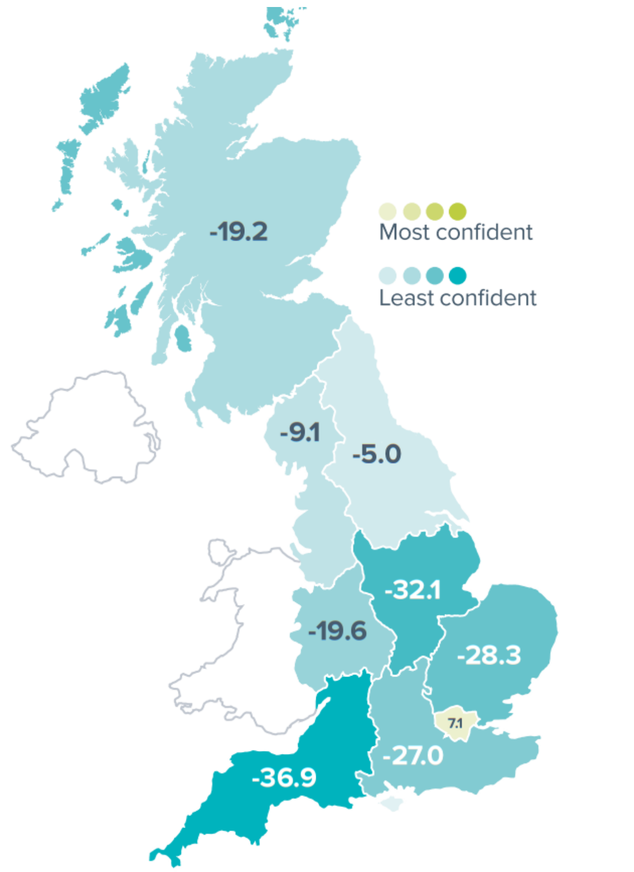
All but one major industry saw a worsening of their SBI reading in Q4 2023 relative to Q3. Professional, scientific and technical activities was the sector that saw improvement in its SBI reading in Q4, and it was also the only major sector that had a positive reading in Q4. Information and communication was the only major sector to record a positive SBI score in Q3 (at 24.4), however this worsened in Q4. For a second consecutive quarter, **the weakest sentiment was observed amongst businesses in accommodation and food services**, with an SBI reading of -73.0. This score represented a notable worsening when compared to the already negative reading of -31.1 observed in Q3. Meanwhile, wholesale and retail trade recorded the second weakest sentiment amongst major sectors in Q4, with an SBI reading of -29.8. Manufacturing recorded a negative SBI reading in Q4, at -26.2. The score likely reflects a downturn in consumer prospects, as well as a decline in business confidence.

Growth Aspirations and Challenges

The share of small businesses aspiring to grow over the coming year decreased for the second consecutive quarter to 48.2% in Q4. The percentage who expected to shrink rose to 15.0%, from 12.7% in Q3. **There was an above-average share of small firms planning to close their business in the next 12 months** for the third consecutive quarter, at 3.4% (the average is 2.5%). **Among businesses expecting to grow over the next 12 months, the domestic economy was the most frequently cited potential barrier to such growth**, selected by 61.8% of respondents. Consumer demand was the second most chosen barrier to growth for the third consecutive quarter, with 30.7% of small businesses selecting it. The selection of labour cost as a barrier to growth increased from the previous quarter, with 27.3% of respondents choosing it, up from 21.1% in Q3. This Q4 reading represents the highest number of businesses citing labour cost as a barrier since Q2 2019.

Small Business Index – business prospects over the coming 3 months:



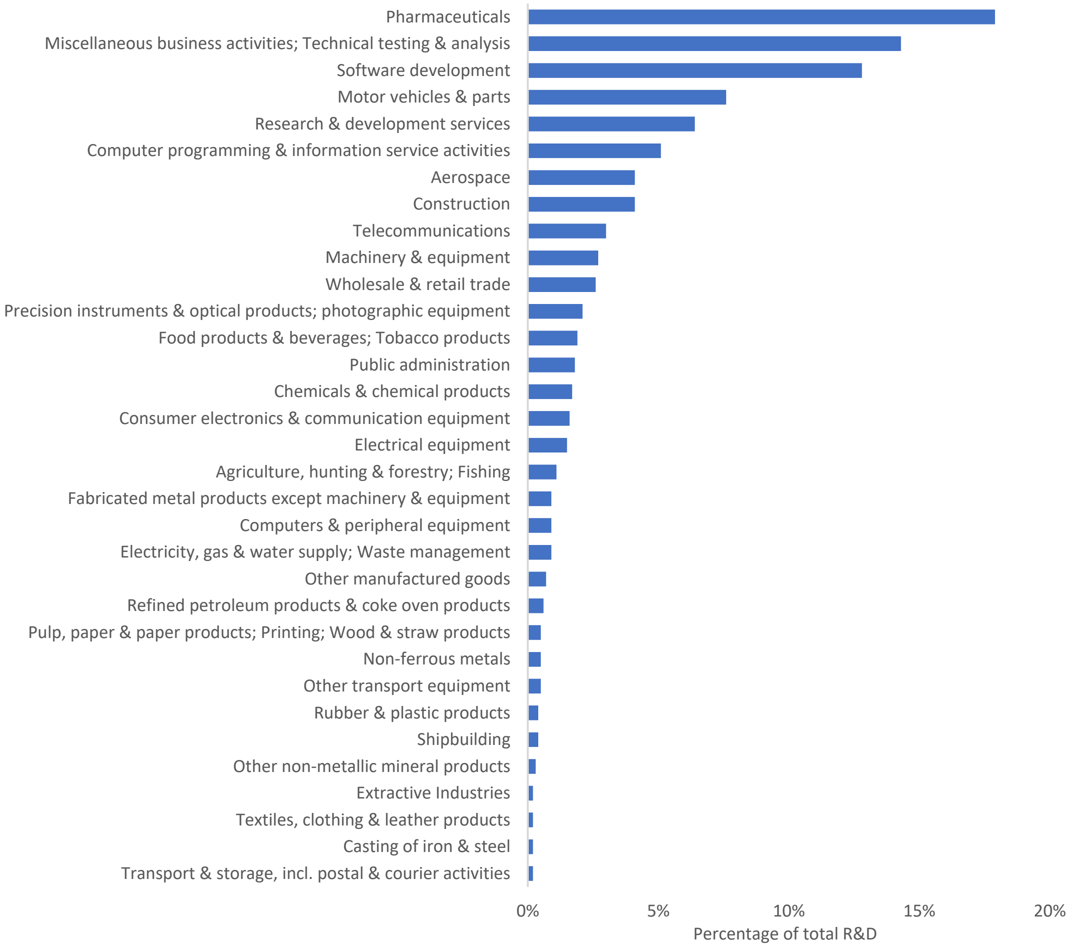


Please note: Sample sizes for Wales and Northern Ireland are insufficient for accurate reporting. The North East is combined with Yorkshire and the Humber to produce a combined region, due to low sample sizes for the former region.

Business Enterprise Research & Development

ONS have released figures which cover the 2022 period on spending and numbers employed on research and development (R&D) by businesses in the UK.

Expenditure on R&D performed in UK businesses – detailed product group:



National Insights

Expenditure on R&D performed by UK businesses was £49.9bn in 2022, an increase of £3.0bn since 2021 (+6.4%). There were a total of 652,000 employed in R&D.

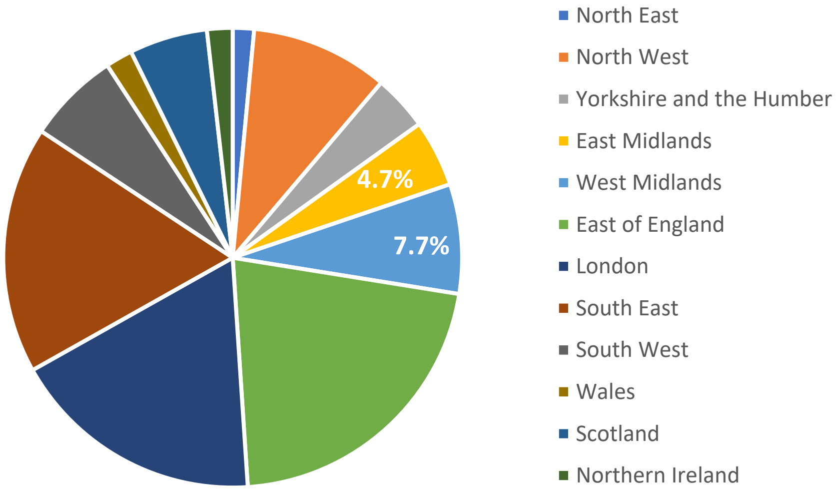
The **pharmaceuticals product group made the largest contribution** to the total of business R&D performed in 2022, with £9.0 billion (**17.9% of total R&D performed by UK businesses**). This was followed by miscellaneous business activities at 14.3%, software development at 12.8%, motor vehicles at 7.6% and R&D services at 6.4%.

Regional Insights

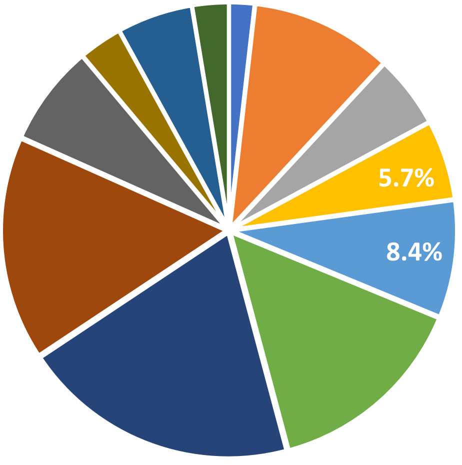
In 2022, East of England had the highest regional value of business R&D performed, accounting for 21.4% (£10.7bn) of the UK total. **The Midlands in total accounted for 12.4% (4.7% or nearly £2.4bn in the East Midlands and 7.7% or £3.8bn in the West Midlands) or £6.2bn of the UK expenditure.** While the North East accounted for 1.5% (£732m).

Whereas 19.8% of all R&D employees were in London. **The Midlands accounted for 14.1% of UK employees in R&D (5.7% or 37,000 in the East Midlands and 8.4% or 55,000 in the West Midlands) or 92,000.** While the North East accounted for 1.8% (12,000).

R&D expenditure by region, 2022:



R&D employment by region, 2022:



Net Zero Economy

This report by [The Energy & Climate Intelligence Unit (ECIU)]() outlines the condition of the UK's net zero economy, as well as its contributions to the wider economy and the issues faced in the sector.

Net Zero Economy

The net zero economy is valued at £74bn in the UK and saw a growth rate of 9% in 2023. The industry supports 765,000 FTE jobs, with an average GVA contribution of £114,300 per FTE job, 1.6 times the national average (£72,550) suggesting that **net zero can make significant contributions to solving the UK's productivity puzzle**. In the financial year 2022-23 there has been nearly £14bn in net zero related FDI in the UK. For every £1m contributed by net zero businesses, nearly £2m more is added through supply chain and employee spending.

Businesses

Just under 23,750 businesses have been identified as net zero businesses, as of December 2023 with the largest primary activity of these businesses being professional, scientific and technical activities (5,253), followed by construction (3,124). From the 16 sub-sectors that form the net zero economy, the renewable energy planning database has the largest composition with 10,869 businesses active in this sector (46%). The 23,750 businesses in the net zero economy directly contributed 1.3% of the UK economy GVA (£25bn).

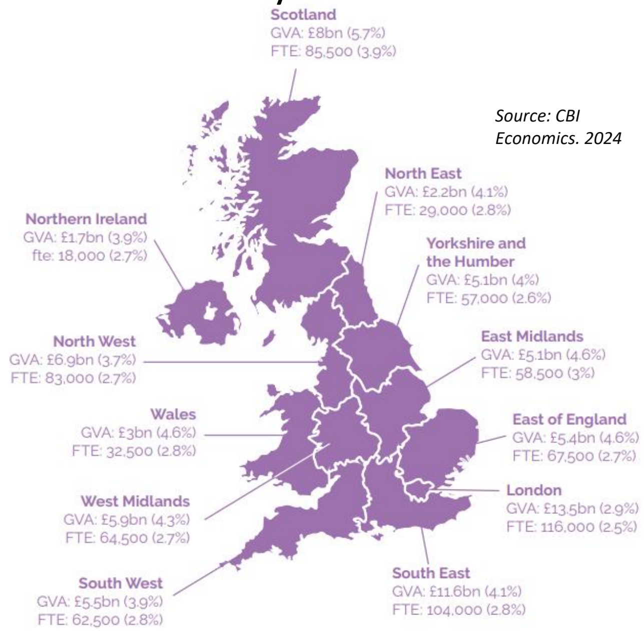
The Regional Economic Contributions

The **West Midlands saw the highest levels of net zero related FDI projects in 2022-23 with 34 FDI projects.** Furthermore, net zero businesses in the West Midlands (as well as Wales and Yorkshire and The Humber) are **twice as productive as the average industry**. The **East Midlands has a strong net zero economy with 4.6% (£5.1bn) of the region's GVA and 3.0% of its employment (38,500 jobs) being supported by net zero economic activity.** This is supported by strategic partnerships between local universities, such as the Zero Carbon Innovation Centre announced by the University of Nottingham. While net zero businesses that had operations in the south of England received the most investment from third party sources, the **West Midlands has been the most successful in attracting FDI projects.**

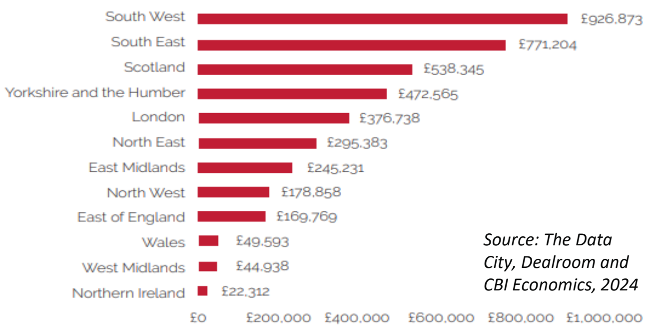
The Local Economic Opportunities from Net Zero

The transition to net zero presents a key levelling up opportunity, with the potential for many areas to become attractive to investment and clusters of high-value activity. The importance of net zero to a local economy varies greatly, contributing anywhere between 1.4% to 16% of local GVA. **Many of the constituencies (44%) that were the most reliant on the net zero economy (top 25 hotspots) were based in the East Midlands.** There was a lot of cross-over between the battleground constituencies and net zero hotspots in the Midlands. Of the top 25 net zero hotspots in England and Wales twelve of them are located in the Midlands, of this twelve 50% were classified as battlegrounds heading into the next general election. Derby North and North West Leicestershire were the most prominent battleground net zero hotspots in the East Midlands, with the net zero economy contributing to 9% and 8% of their respective local economies. An estimated 1,964 FTE jobs in Derby North are supported by the net zero economy and its supply chain, whereas in North West Leicestershire this rose to 2,323 FTE Jobs. Nuneaton was the one constituency in the West Midlands that was also in the top 25 net zero hotspots and classified as battlegrounds. The net zero economy supports approximately £150 million in GVA and 1,627 FTE jobs, roughly 8% of local GVA and 4% of local employment.

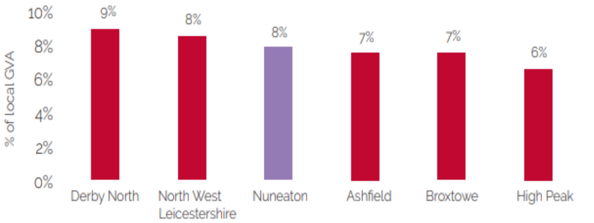
Regional breakdown of the economic contribution of the net zero economy:



Average investment funding per net zero business received in 2021 & 2022:



Top 25 net zero hotspots in the Midlands that are also electoral battlegrounds:



Local Business and Policy Intelligence By Sector

SECTOR	KEY INSIGHTS
Tech / Digital	• **Birmingham City University's STEAMhouse collaborated with Arup to launch the cutting-edge STEAMhouse Digital Labs**, offering a platform for digital innovation and experimentation. The facility, including a Growth Lab, Create Lab, and Arup SoundLab®, aims to support startups, scale-ups, and researchers in driving digital innovation and fostering collaboration.
Construction	• Monthly construction output in the UK **is estimated to have decreased 0.9%** in the three months to January 2024; **this came solely from a decrease in new work (4.5% fall), as repair and maintenance increased by 4.0%.**
Retail, Hospitality and Tourism	• New research from business and financial adviser Grant Thornton UK LLP finds that **deal activity in the food and beverage sector rebounded last year** compared to 2022, when dealmaking was put on pause, in part, due to the emerging cost of living crisis. • ONS data reveals in the latest quarter, **the wholesaling, retailing, hotels and restaurants sector saw the largest annual growth in the earnings rate at 7.2%.** • Retail sales volumes **were estimated to be flat (0.0%) in February 2024**, following an increase of 3.6% in January 2024 (revised from an increase of 3.4%). Sales volumes in clothing and department stores grew because of new collections but falls in food stores and fuel retailers offset this growth. Meanwhile online sales increased, particularly for clothing retailers, as wet weather affected footfall. • **£10m of extra funding to support the West Midlands arts, cultural and heritage organisations** was announced in the Spring Budget, doubling the investment in the regions cultural and heritage infrastructure to £20m. • The Budget also revealed **£5 million invested in each of High Peak, Erewash and North Northamptonshire to support cultural levelling up projects,** restoring local pride.
Manufacturing	• **Midlands manufacturers are facing a mixed outlook as they enter the new year, yet confidence remains resilient despite the overall weakness of the UK economy**. Make UK predicts modest growth for manufacturing, with forecasts indicating a 0.1% increase in 2024 and 0.8% in 2025, both lagging behind the broader economy. Business confidence in the West Midlands remains high at 6.9, the 3rd highest out of all UK regions, with East Midlands business confidence at 6.4. • **West Midlands' output experienced an increase** in the initial months of the year and there's further positive news with an increase in employment, however investment decreased in the quarter. • **East Midlands' output experienced a decline** in the initial months of the year. However, there's optimism for a significant uptick in both output and orders during the second quarter, especially with orders anticipated to be particularly robust over the next three months. • The Society of Motor Manufacturers and Traders reports the **UK new car market has recorded its best February performance for two decades as registrations rose 14.0% to 84,886 units**, similarly, new light commercial vehicle (LCV) registrations grow 2.2% to 17,934 units in the best performance for the month for 26 years. • Industry leaders gathered at **The National Manufacturing Summit 2024** held at the Manufacturing Technology Centre (MTC) in Coventry, UK, to discuss the pressing need for a **comprehensive skills strategy in the manufacturing sector**. The summit also included student involvement and showcased cutting-edge technologies, emphasising collaboration between industry and academia.
Environmental Technologies	• The EY Regional Economic Forecast reveals that the **mining and quarrying sector GVA is set to decrease by 3.2%,** following ongoing challenges in the sector at the UK level, largely reflective of the long-term decline in North Sea oil production. The decline in activity is largely driven by structural changes — as many oil fields are reaching the end of their useful life. • New research from Midlands Connect suggests **the region could have more than two million electric cars on its roads by 2030 based on growth of 1,899% (a third of all cars).** This requires a further 58,997 public charging points, a 969% increase from the 6,090 chargers existing today.

Business Insights and Impact on the UK Economy

ONS have published the final results from Wave 104 of the [Business Insights and Conditions Survey (BICS)](https://www.ons.gov.uk).

Financial Performance

29.4% of West Midlands businesses and 29.9% of East Midlands businesses reported that turnover in February 2024 when compared to the previous month had increased. While 23.0% of West Midlands businesses and 21.2% of East Midlands businesses reported turnover had decreased.

35.3% of West Midlands businesses and 35.6% of East Midlands businesses expect turnover to increase in April 2024. While 7.5% of West Midlands businesses and 7.7% of East Midlands businesses expect turnover to decrease.

Demand for Goods and Services

18.2% of West Midlands businesses and 15.9% of East Midlands businesses reported that domestic demand for goods and services in February 2024 when compared to the previous month had increased. 14.2% of West Midlands businesses and 13.3% of East Midlands businesses reported a decrease.

5.7% of West Midlands businesses and 4.3% of East Midlands businesses reported that international demand for goods and services in February 2024 when to the previous month had increased. 4.3% of West Midlands businesses and 5.1% of East Midlands businesses reported a decrease.

Global Supply Chain Disruption

9.0% of West Midlands businesses and 8.7% of East Midlands businesses experienced global supply chain disruption in February 2024. With 62.9% of West Midlands businesses and 66.7% of East Midlands businesses citing the main reason for disruption was the conflict in the Middle East.

Trade

25.2% of West Midlands businesses and 24.3% of East Midlands businesses both exported and imported in February 2024. 3.1% of West Midlands of 2.4% of East Midlands businesses exported only and 12.2% of West Midlands businesses and 11.8% of East Midlands businesses imported only.

Main Concern for Business

19.4% of West Midlands businesses and 20.0% of East Midlands businesses cited **falling demand of goods and services as the main concern for business** for the upcoming month.

Recruitment Difficulties

19.2% of West Midlands businesses and 19.6% of East Midlands businesses reported **experiencing difficulties in recruiting employees** in February 2024.

Number of Employees

17.9% of West Midlands businesses and 18.6% of East Midlands businesses expect the number of employees in April 2024 to increase. 6.5% of West Midlands businesses and 6.2% of East Midlands businesses expect the number of employees to decrease.

Worker Shortage

18.5% of West Midlands businesses and 18.7% of East Midlands businesses are currently experiencing a shortage of workers. While 64.3% of West Midlands businesses and 65.1% of East Midlands were not.

Insolvency

6.1% of West Midlands businesses and 5.7% of East Midlands businesses were at moderate risk of insolvency. 45.8% of West Midlands businesses and 44.3% of East Midlands businesses reported low risk of insolvency. **37.0% of West Midlands businesses and 38.6% of East Midlands businesses had no risk of insolvency.**

Cash Reserves

7.2% of West Midlands businesses and 7.7% of East Midlands businesses had no cash reserves / less than 1 month. 25.8% of West Midlands businesses and 26.5% of East Midlands businesses had between 1 to 6 months. **44.7% of West Midlands businesses and 44.0% of East Midlands businesses had over 6 months of cash reserves.**

Supply Chains

79.4% of West Midlands businesses and 79.6% of East Midlands businesses were able to get the materials, goods or services it needed from within the UK in February 2024. A further 5.5% of West Midlands businesses and 4.9% of East Midlands businesses were able to get materials, goods or services from within the UK but by changing suppliers or finding alternative solutions. 2.6% of West Midlands businesses and 2.8% of East Midlands businesses were not able to get the materials, goods or services needed from within the UK.

Overall Performance

28.2% of West Midlands businesses and 25.2% of East Midlands businesses reported that their overall performance in February 2024 when compared to the same period in the previous year had increased. 17.9% of West Midlands businesses and 19.5% of East Midlands businesses reported performance had decreased.

42.8% of West Midlands businesses and 40.7% of East Midlands businesses expect overall performance to increase over the next 12 months. While 7.9% of West Midlands businesses and 8.1% of East Midlands businesses expect performance to decrease.

Please note – the survey reference period: 1st to 29th February 2024. Survey live period: 4th to 17th March 2024. The response rates are low and the data is unweighted and should be treated with caution.

3. Women in Business

Female-Led Companies

The Gender Index 2024 report shows the trends in female-led companies, as well as ethnic minority female led companies. Recent data shows that in 2024, **the West Midlands has the highest percentage of female-led companies across the UK at 20.8%, while the East Midlands ranks 3rd at 20.1%** behind London with 20.4%.

UK 2024 Data:

Total active companies	Female-led	Ethnic minority female-led	Female-led fast growth
5,016,124 100%	999,220 19.92%	386,356 7.70%	628 0.01%

Midlands 2024 Data:

Total active companies	Female-led	Ethnic minority female-led	Female-led fast growth
648,129 100%	132,695 20.47%	49,676 7.66%	51 0.01%

Top sectors by female-led percentage in the Midlands:

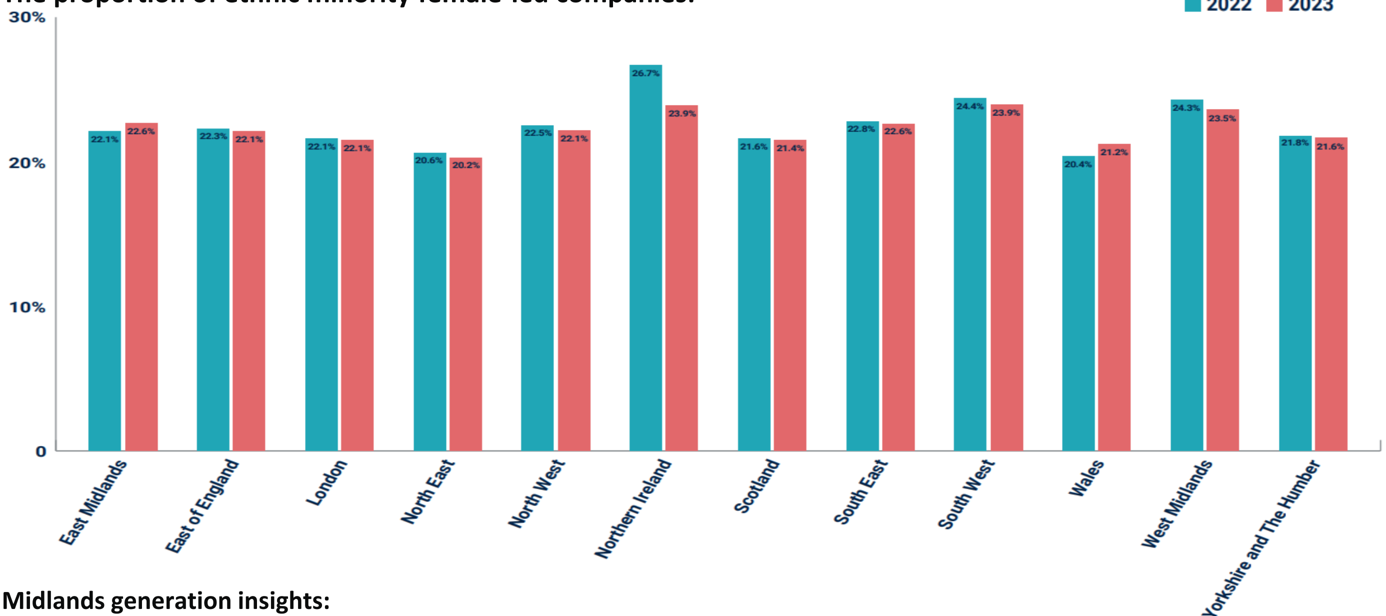
Sector Name	Total companies	Female-led	% Female-led
Health, wellbeing and social care	33,897	13,307	39.26%
Public health and safety services	1,664	630	37.86%
Education	13,063	4,690	35.90%
Service sector	28,693	9,433	32.88%
Administrative and support service activities	59,074	16,788	28.42%
Arts, entertainment and recreation	13,717	3,236	23.59%
Accommodation and food service activities	36,097	8,388	23.24%
Agriculture, forestry and fishing	6,363	1,374	21.59%
Professional, scientific and technical services	68,386	14,431	21.10%
Wholesale and retail	102,091	20,542	20.12%
Logistics and storage services	34,750	6,948	19.99%
Household employers	9,777	1,815	18.56%
Real estate activities	62,435	10,080	16.14%
Manufacturing	39,555	6,041	15.27%
Overseas organisations	87	12	13.79%
Information, communication and technology	38,395	5,224	13.61%
Water and waste services	2,600	321	12.35%
Financial services	22,441	2,623	11.69%
Mining and quarrying	778	83	10.67%
Construction	72,325	6,556	9.06%
Energy suppliers	1,410	113	8.01%

Health, wellbeing and social care is the sector with the highest percentage of female-led companies in the Midlands at 39.3% with 13,307 companies. Wholesale and retail has the most female-led companies with 20,543 , however this is only 20.1% of the companies in the sector.

Female-Led Companies

In 2024, **the Midlands had 49,676 ethnic minority female-led companies (7.7% of all companies).** In 2023, the **West Midlands and the South West had the highest proportion of active ethnic minority female-led companies** despite these regions experiencing declines over the past year. The **East Midlands was the only region to see an increase over this period, rising by 2.6%**

The proportion of ethnic minority female-led companies:



Midlands generation insights:

Generations	Total companies	Female-led	Female-led %
Generation Z	35,994	9,477	26.33%
Millennials	215,247	47,999	22.30%
Silent	4,458	885	19.85%
Generation X	277,064	52,880	19.09%
Boomers	112,898	21,320	18.88%

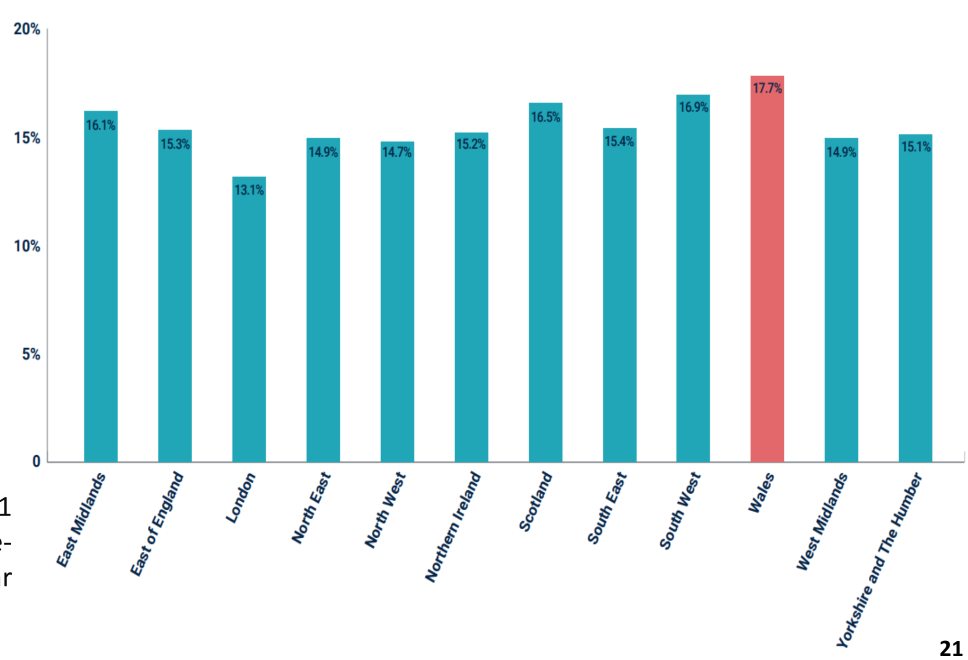
Generation Insights

In 2023, the generation with the largest percentage change in female-led companies was **Generation Z, decreasing by 7.5% nationally. The percentage of female-led companies increased for Boomers and Generation X (0.4% and 0.2% respectively), while all other generations saw a decrease.** In 2024, the generation with the highest proportion of female led companies in the Midlands was Generation Z with 26.3%, while Boomers had the lowest percentage of female leadership at 18.9%

Secured Debt Insights

Male-led companies continued to secure disproportionately higher levels of secured debt than female-led companies – 62.7% compared to 15% for 2023. While the male-led total follows the same pattern as equity investment, the female-led percentage is lower with only 15% using secured debt funding. This indicates a significant opportunity for female-led companies and lenders.

Secured debt by region:



Female-Led Fast Growth Companies

Across the Midlands there were 51 companies (0.01%) that were female-led fast growth companies, a similar proportion to that seen nationally.

Women-Led High-Growth Enterprise Taskforce

The Women-Led High-Growth Enterprise Taskforce aims to increase the number of women-led high-growth businesses, particularly outside London. This report outlines the findings and recommendations of the women-led high-growth enterprise taskforce.

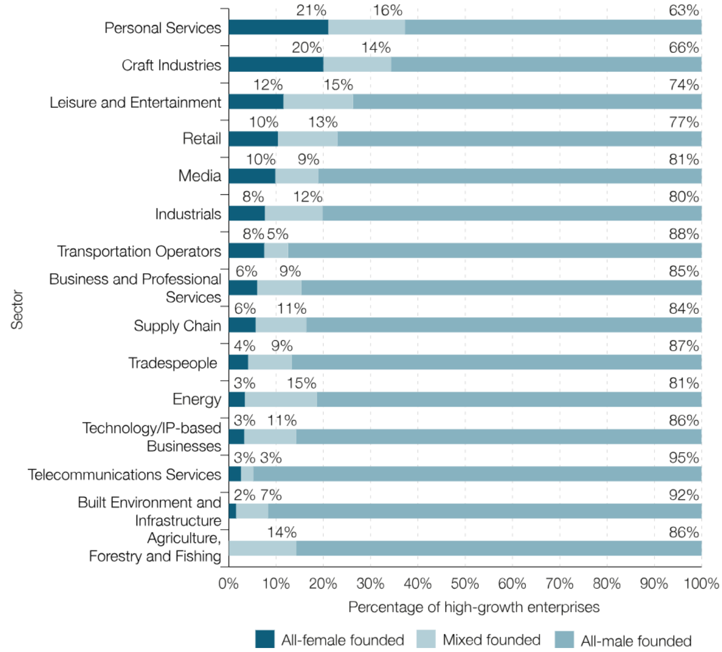
Opportunities for Change

Some barriers make it less likely that women will attempt to start a business in the first place, such as pervasive gender stereotypes and a lack of representation of female entrepreneurs and role models. This report highlights key opportunities for change, including: **ensuring that "women-led high-growth enterprises" are truly led by women, improving diversity in senior investment roles, increasing signatories to the Investing in Women Code, the roll out Female Founder Growth Boards** across the regions of England, inspiring girls and women to become high-growth entrepreneurs and improving data collection and research in key areas.

The Current Landscape

Women-led businesses make up a very small percentage of high-growth enterprises in the UK. While estimates vary with different definitions of 'high-growth', significant gender disparity is present amongst all methodologies. Even using the most favourable definition (Beauhurst), **75% of high-growth enterprises are founded entirely by men**. Personal Services has the highest percentage of female founded high growth enterprises at 21%, 16% of enterprises in this industry are mixed founded. When considering the sector split of high-growth enterprises by gender, the highest number of all-female founded high-growth enterprises are in Business and Professional Services, representing 26% of all-female founded high-growth enterprises. This is followed by Personal Services (at 18%) and Industrials (at 14%). Even in the most common sector for female-founded high-growth enterprises, Business and Professional Services, teams with at least one female founder only make up 15% of all high-growth enterprises.

Percentage of high-growth enterprises in each sector by the gender of the founding teams:



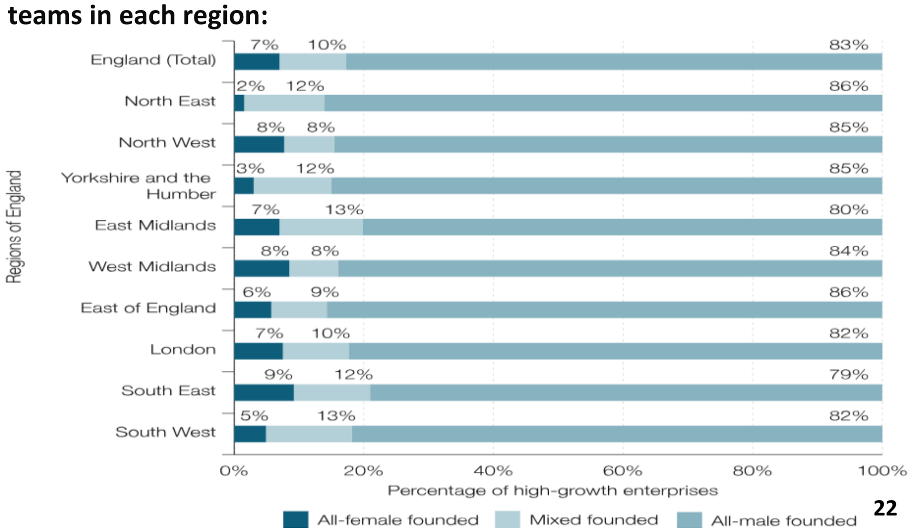
Driving Progress

High-growth enterprises are a critical driver of the UK economy and its future as a global leader. Despite representing only 1.6% of UK businesses, OECD-defined high growth enterprises account for 4.5% (£160bn) of the total turnover of UK businesses. **If women were to start and scale enterprises at the same rate as men, £250 billion could be added to the UK economy. Supporting women to thrive in high-growth entrepreneurship could also be a key driver in achieving the UK's ambition to become an international tech superpower by 2030.** Driving gender diversity among the founders and leaders of high-growth enterprises will only serve to amplify the economic and societal benefits of high-growth enterprises. Diversity has been shown to contribute to better discussions, decisions and financial performance. Companies in the top quartile for gender diversity are 25% more likely to have above-average profitability than companies in the bottom.

Regional Insights

Almost 45% of England's high-growth enterprises are located in London. London, the East Midlands and the South East and South West show the highest concentration of high-growth enterprises with at least one female founder, at 18%, 20% and 21% and 18% respectively, compared to an England average of 17%. **The West Midlands has a higher proportion of all female founded enterprises than the East Midlands (8% compared to 7%) which is the second highest of all regions in England** behind only the South East – the North West has an equal proportion at 8%).

Percentage of high-growth enterprises by the gender of the founding teams in each region:



Gender Pay Gap in Higher Education

This report by [The Higher Education Policy Institute (HEPI)] provides analysis of the gender pay gap in the UK's higher education sector. **The gender pay gap is currently reported at 14.4% and despite significant progress in female representation within the student body and the workforce women continue to earn, on average, 11.9% less than men** across all roles in higher education.

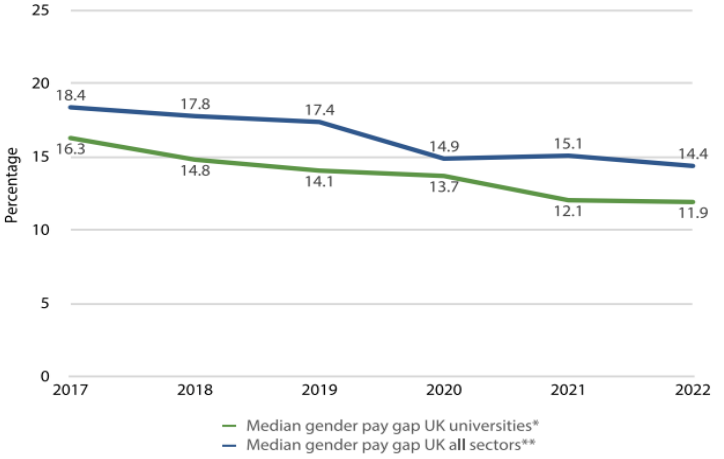
Gender and Changing Trends in Higher Education

Recent figures from the Higher Education Statistics Agency (HESA) show that **women are now more likely to enter higher education than men**. Women make up 57% of undergraduate students. Figures are more equal in postdoctoral research degrees, with 51% of these students being women. Female students are now more likely to gain a 'good' honours degree – a first or a 2:1, although the proportions of first-class degrees awarded are relatively equal. **Despite this, male graduates earn 7% more than their female counterparts, and by 10 years after graduation this gap stretches to 24%.**

Trends in the UK Gender Pay Gap

The gender pay gap (for full time and all employees) has been decreasing since 1997, with the gap falling by approximately a quarter over the last decade – the part time pay gap has generally remained the same with women earning more than men on average. **The median gender pay gap in the UK higher education sector is smaller than the UK-wide median gender pay gap.** Higher education providers have made slightly more progress to narrow their gender pay gap (decreasing by 4.4% since 2017 compared to 4% across the UK).

Gender pay gap for median gross hourly earnings - higher education sector compared to all UK sectors:



Rankings by Institutions in the Midlands

The average median gender pay gap in 2022 was 11.5%. **Staffordshire University ranked joint 1st with the difference in hourly pay being 0%.** Whereas, the University of Leicester (18.6%), University of Warwick (18.6%), Keele University (21.3%) and Loughborough University (25.4%) all ranked in the bottom 15 institutions.

For percentage change in the median pay gap between 2017 and 2022, the University of Wolverhampton (-15.2%), Staffordshire University (-15.0%) De Montford University (-14.5%) and Nottingham Trent University (-13.4%), all ranked in the top 15 institutions. Staffordshire University and De Montford University also ranked in the top 15 institutions in terms of percentage of the gender pay gap that has been eliminated over this period (100% and 63% respectively).

The mean gender pay gap in 2022 was 13%. In terms of average mean gender pay gap, the University of Nottingham (20.1%), University of Warwick (20.3%), Keele University (20.8%), University of Leicester (21.1%) and Loughborough University (22.0%) all ranked in the bottom 15 institutions.

Bonus Culture

Institutions that have a large median pay gap have a much larger bonus culture. **While the percentage of male and female colleagues receiving a bonus is equal, men are more likely to get paid larger bonuses.** Institutions with a smaller pay gap are less likely to give bonuses, and while men are slightly more likely to receive a bonus, bonuses to women are higher.

Areas of Concern

While successful institutions show deliberate focus on gender parity, other institutions show an acceptance of societal norms. **Structural barriers contribute to the gender pay gap:** women are overrepresented in the lowest pay quartile (most notable in institutions with a large pay gap) and opportunities for part time working are severely restricted in the sector. The report also identifies encouraged paternity leave and flexible working for fathers as a catalyst for gender parity. Recruitment and promotion practices can also be problematic in the reliance of several metrics including the H-index, the M-index and research income; these fail to account for part time working, biases in citations and the underrepresentation of female grant holders. **Unaddressed pay gaps amongst other demographics also need to be addressed**, including: ethnicity, disability, LGBTQ+ and religious-based pay gaps.

Recommendations

The report's recommendations include: consideration of how more roles can be offered on a part-time or flexible basis, a review of recruitment practices and the metrics used (as well as a requirement of gender diverse recruitment panels), recruiters should refrain from asking applicants to declare their current salary or salary expectations and the uptake of paternity leave should be encouraged (and more active forms of paternity leave should be considered).

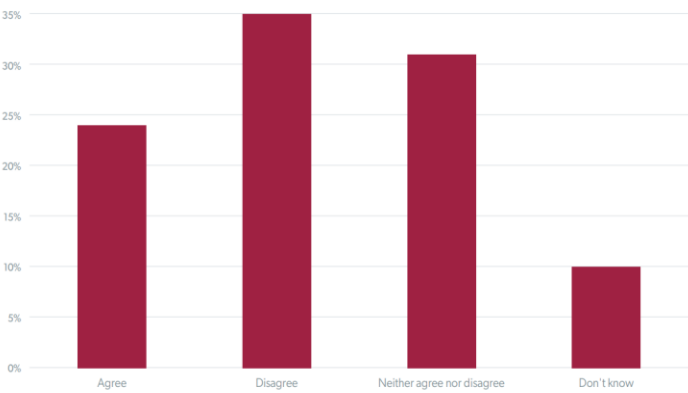
4. Inclusive Growth / Levelling Up

Unlocking Genuinely Affordable Homes for Thriving Lives

A recent report from the Centre for Social Justice details bespoke opinion polling which demonstrates public support for income-linked housing, using public land for affordable housing, introducing stepping-stone accommodation, and the taking of decisions around affordable housing at local levels.

The paper finds that the current approach to 'affordable housing' needs substantial improvement as **less than a quarter of the public believe that the definition of 'affordable housing' lives up to its name** and isn't truly affordable or local people.

The UK government's definition of affordable housing is truly affordable to local people:



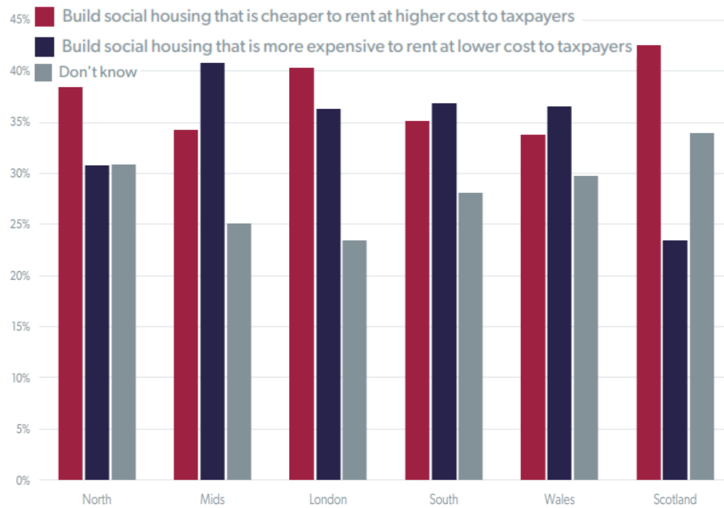
This is as over the last decade most new 'affordable homes' were built under the system of 'Affordable Rent' whilst those homes built under 'Social Rent' has substantially declined. The distinction between these two systems is important as **Social Rent is set by reference to incomes of local residents, whilst Affordable Rent is linked to the price of local equivalent private rentals.** This matters because in areas where private rents are high – such as urban centres and the capital – the homes delivered under the system of "Affordable Rent" often fail to live up to their name.

Polling data shows the public across the UK recognises the problem of housing affordability for low-income households. **Broadly speaking, most of the public believe that rented housing, in relation to low incomes, is unaffordable**. A higher proportion of those in Greater Manchester and London said that housing in relation to low incomes is unaffordable, whilst in **the West Midlands, the response rate was a little below the national average of 74% at 70%**. The clear trend is that affordability is highly pressured across the country.

Policy looking to address this issue is currently being tackled in different ways; in the West Midlands it is being done by **redefining affordable housing**. Implementation of this policy is based on rents being around 35% or less of the average gross earnings of the lowest quarter of wage earners in the local area.

Moreover, a further poll showed that, across the country, there is a **strong localist current to public sentiment**. In general, a strong majority of the public think that responsibility for **decision-making about the location and type of social housing to be built should sit within local government rather than national government**. Two thirds of the public think this (**66%**) whereas less than a fifth (**16%**) supported the 'national government' option.

Which approaches are viewed as best if more social housing is built locally:



Headline Summary of Recommendations

- **Government should continue to focus on future grant funding regimes**, responsibly expanding grant funding for Social Rent accommodation.
- **Government should look to design and approve an Affordable Homes Programme** to succeed the current 2021-2026 scheme implementing a new intermediate housing tenure, Living Rent, to replace Affordable Rent.
- Through the next Affordable Homes Programme, **Government should examine what can be learned from the London Living Rent initiative and collaborate with relevant institutions** to see how grant funding can be allocated to unlock development of income-linked rent-to-shared ownership accommodation.
- A **renewed Public Land for Housing programme** should be implemented which seeks to outperform that of the 2015-2020 initiative of the same name.
- Government should **permit charities to build granular income-linked 'move-on' Stepping Stone accommodation**.
- **Government should create a dedicated planning category for Stepping Stone accommodation**.
- **Government should examine the impact of abolishing fixed-term tenancies on Stepping Stone accommodation** and make amendments to the Renters Reform Bill to ensure carve-outs are made to enable fixed term lettings in this accommodation type.

Access to Sports Facilities

ONS analysis of sports facilities forms part of the Levelling Up Subnational Data project. It is intended to support local policy making by providing more information on place-based disparities.

There were a total of **17,435 sports facilities** across the Midlands Engine area. Of which, 4,150 (23.8% of total) were private and **13,285 (76.2%) were publicly accessible**. Overall, **51.4% (8,968) of sports facilities are grass pitches**.

Midlands Engine area sport facilities types:

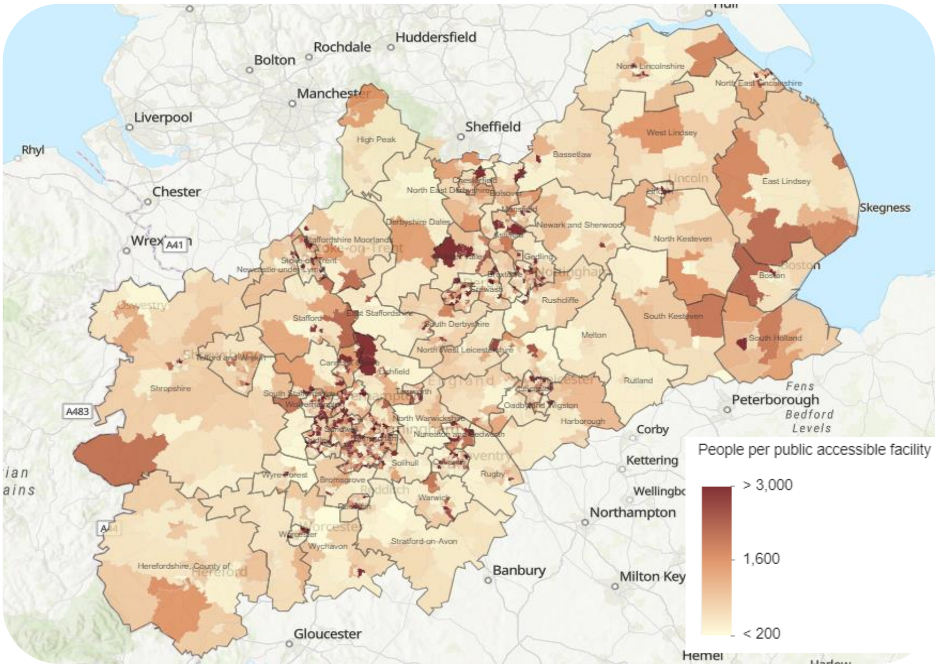
Athletics	Health & Fitness Gym	Indoor Bowls	Indoor Tennis Centre	Grass Pitches	Sports Hall	Swimming Pool	Artificial Grass Pitch	Golf	Ice Rinks	Ski Slopes	Studio	Squash Courts	Outdoor Tennis Courts	Cycling
73	1,295	43	52	8,967	2,032	798	1,005	504	9	19	1,187	269	1,101	81

There were approximately **595 people per sport facility** in the Midlands Engine area. At a local authority level within the Midlands Engine, figures vary from 302 in Rutland to 1,014 in Sandwell. For the Midlands Engine area overall, this equates to approximately **16.8 sports facilities per 10,000 people**, with figures at 9.9 in Sandwell to 33.1 in Rutland.

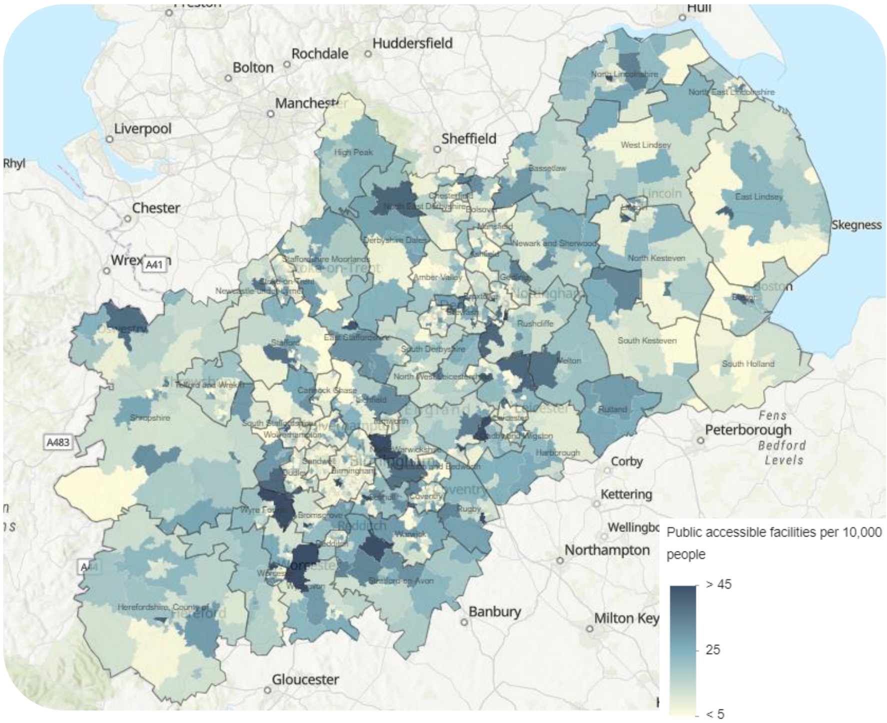
Number of People per Publicly Accessible Sports Facility:

There were approximately **781 people per publicly accessible sport facility** in the Midlands Engine area.

At a local authority level within the Midlands Engine, figures vary from 402 in both Rutland and Derbyshire Dales, 432 in Stratford-on-Avon and 471 in North Warwickshire to 1,174 in Leicester, 1,407 in Birmingham and 1,448 in Sandwell.



Publicly Accessible Sports Facilities per 10,000 People:



There were approximately **12.8 publicly accessible sport facilities per 10,000 people** in the Midlands Engine area.

At a local authority level within the Midlands Engine, figures vary from 6.9 in Sandwell, 7.1 in Birmingham and 8.5 in Leicester to 23.2 in Stratford-on-Avon, 24.8 in Rutland and 24.9 in Derbyshire Dales.

Interactive maps can be found here. *The maps are down to a Middle Super Output Area geography and cover total number of sports facilities, by predominant type, private/public accessibility, sports facilities for all and per 10,000 people and publicly accessible sports facilities for all and per 10,000 people.*

6. Aerospace Cluster

Aerospace in the Midlands

In collaboration with the Midlands Aerospace Alliance (MAA), the Midlands Engine Observatory has published a report measuring the economic contribution of the region's aerospace cluster and explored the distribution of R&D funding across its supply chains. The work was split into two distinct work packages:

- **Work package 1**: Quantifying the size of the aerospace sector in the Midlands, providing accurate information on the size of the industry through a bespoke bottom-up company-level database.

- **Work package 2**: Quantifying aerospace R&D funding support to the Midlands cluster, gaining a comprehensive understanding of R&D funding to the industry, including its distribution across supply chains and locations in the region.

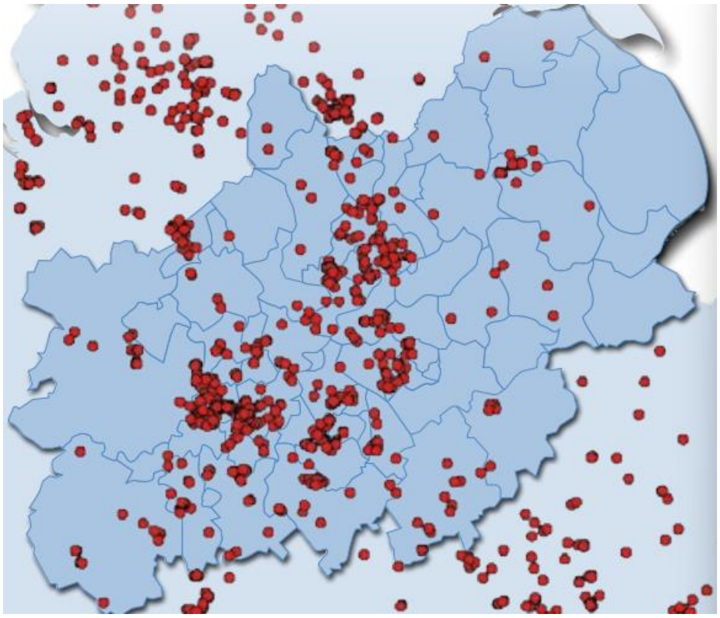
Traditional Datasets

Official data (based on SIC codes) traditionally relied on by UK and regional bodies suggests **that the Midlands has about 20,000 aerospace jobs (1/5 of the UK) in 180 companies (1/10 of the UK) across 225 sites.** However, aerospace is a difficult industry to quantify and SIC code data is widely recognised to be a poor foundation for policymaking. Providing a more accurate assessment of the economic contribution of the sector in the Midlands was therefore a key objective of the research.

Bespoke Dataset

As part of the project and believed to be the first of its kind in industry, the project **led to the creation of a new dataset through an extensive bottom-up methodology, providing a more accurate scale of the sector in the Midlands.**

Accredited aerospace company sites in the Midlands:



Through this new approach and focusing on core aerospace industry supply chains in the UK, **the Midlands was found to have 326 company sites** that are either internationally recognised AS9100-accredited 'Flying Parts' makers or AS9110- / AS9120-accredited 'Maintenance, repair & overhaul / parts distributors.

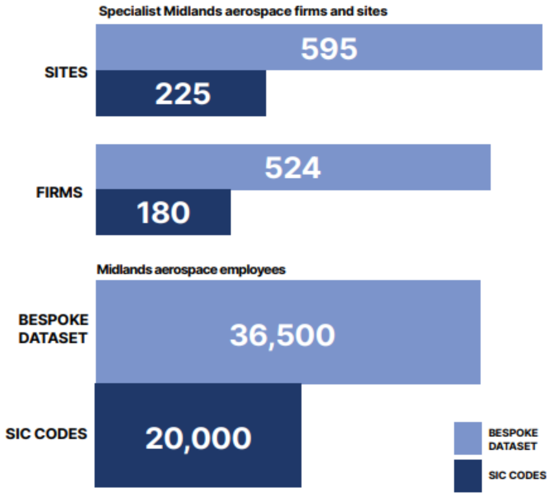
In total, the new data revealed that the Midlands has **36,500+ aerospace jobs in 524 companies across 595 sites (21% of UK). Technically specialist Midlands aerospace people and companies generate over £3.5bn Gross Value Added (GVA) for the Midlands economy**.

The inclusion of regional economic multiplier effects reveals that **over 100,000 Midlands jobs and £5.3bn GVA are created by the revenue brought into the region** by Midlands business success in global aerospace markets. This means that **aerospace is responsible for 2.0-2.3% of the regional economy.**

Companies and jobs across different parts of the specialist supply chain:

Company Category	Midlands Jobs Calculation	Individual Midlands Companies
A) OEMs and Tier 1s	17,753	8
B) AS9100 accredited 'Flying Parts' makers	12,020	246
C) Other technical specialist suppliers	6,767	290
Total	**36,540**	**524**

Numbers of sites, companies and jobs: comparing SIC data and our bespoke dataset:

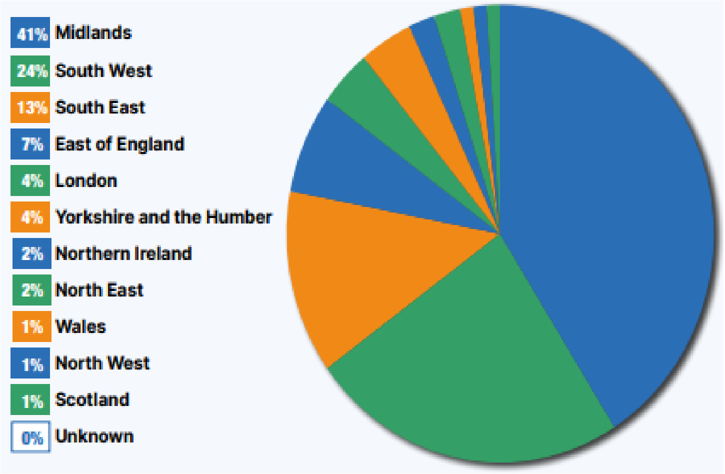


R&D Funding

While Midlands aerospace benefits **from a high level of UK aerospace R&D grants, receiving 41% of funding, R&D grants are highly concentrated**, **with 94% of specialist 'Flying Parts' maker companies** (identified by meeting the global AS9100 standard) **in the Midlands receiving no grants at all from the national aerospace R&D ecosystem.**

Aerospace in the Midlands

Regional distribution of Aerospace Technology Institute (ATI) funding, 2013-2022:



Analysis of Innovate UK datasets revealed that:

- **Companies and research bodies in the Midlands were awarded £763m in national, European, and regional aerospace R&D grants** between 2013/14 and 2021/22, receiving **39% of all awards to UK organisations**.
- **UK national funding has been by far the largest source of aerospace R&D support in the Midlands** (**87%** of the total). **98%** of this national funding to the Midlands has been via the ATI.
- **ATI programmes awarded £640m to Midlands organisations in this time period** - **41%** of all ATI funding and significantly more than any other region. This compares with the region accounting for **21% of core UK aerospace sites.**

Furthermore, analysis of the distribution of the data revealed that:

- **Large companies have received the most national aerospace R&D funding** to the Midlands, **£520m (79**%), of which more than **£500m was been awarded to Rolls-Royce**. The second category is universities and Catapults with **£110m (16.5%).** Small and medium-sized enterprises (SMEs) received **£30m (4.5%).**
- **Funding awarded to AS9100-accredited 'Flying Parts' companies**, crucial for regional economic growth and innovation **is disproportionately low** despite their significant contribution to the Midlands aerospace industry, with **94% of such companies not receiving any aerospace R&D grants from national programs**.
- Initial analysis of European funding suggests a similar trend in funding concentration. By contrast, **Midlands regional aerospace R&D programmes, albeit very small relatively** (1% of total R&D grants)**, have distributed their funding much more widely across supply chains.**

'Flying Parts' makers that have received ATI funding:

The Importance of Rolls Royce to the Region

Rolls-Royce overall dominates the UK government aerospace R&D grant space in the Midlands, capturing **91% of industry grants and 75% of regional grants**. This success is largely attributed to **subcontracting R&D projects** to the aerospace supply chain, with **£448m** spent, representing **88%** of the company's ATI grants.

Recommendations

- **The Midlands is significant in a wider aerospace context.** Policymakers should stay abreast of the economic and technology dynamics of the UK and global aerospace industry. They should work with the regional cluster to exploit future opportunities and support continued growth across supply chains.
- **A sizeable contribution to the region.** Midlands policymakers should take full account of aerospace for its contribution to the regional economy and dedicate appropriate resources to support the cluster.
- **Benefits from significant aerospace R&D grants.** All stakeholders should acknowledge that aerospace is a high-R&D-investment sector that governments subsidise to retain their countries' competitive edge and high-value manufacturing jobs and to accelerate the advent of more sustainable aerospace and aviation.
- **R&D grants are highly concentrated.** Most specialist aerospace companies receive no grants directly from the national aerospace R&D ecosystem. Midlands and national policymakers now need to understand why this is the case, whether it is optimal from a regional economic perspective, whether investing in R&D grants for aerospace supply chain companies might increase the cluster's regional impact and contribution to global sustainability, and, how to implement policy change.

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

MIDLANDS ENGINE OBSERVATORY

In Partnership: