MIDLANDS ENGINE

OBSERVATORY

MIDLANDS ENGINE

REGIONAL ECONOMIC IMPACT MONITOR

EDITION 49: JUNE 2024

Executive Summary

The June edition of the Midlands Engine Regional Economic Impact Monitor is published at a critical time in the UK. **With an imminent General Election, the focus is firmly on the UK economy.** The economy has struggled in recent years under the pressures of economic shocks such as the Covid-19 pandemic and Ukraine war. **GDP growth came in at only 0.1% over 2023, with the dual headwinds of high inflation and increased interest rates weighing on economic activity.** While underlying price pressures have moderated somewhat, they remain uncomfortably high, with services inflation running at 5.7%. The Bank of England will need to see a continued fall in services inflation before it can be confident that headline inflation will stay sustainably at its 2% target in the medium term. A slower pace of pay rises may lead to weakening services inflation, helped by a loosening labour market.

There is mixed news for Midlands businesses during this the election period in terms of business sentiment:

- **The West Midlands Business Activity Index decreased from 55.5 in April 2024 to 54.2 in May 2024**, despite falling from a 25-month high this is the eight consecutive month of business growth. The increase in activity was linked to higher demand, new clients and better economic conditions. While **the East Midlands Business Activity Index increased from 51.2 in April 2024 to 52.3 in May 2024**, the highest rate of growth for activity for three months. The increase in activity was linked to further rises in new orders and continual improvement in demand conditions. **The UK Business Activity Index decreased from 54.1 in April 2024 to 53.0 in May 2024.**
- **Trade figures reveal the Midlands is performing well compared to the wider UK**, with an increase in goods exported decreasing the trade in goods deficit. This comes amid SMEs calling for reduced costs to export goods.
- **The Midlands saw a 22.3% decrease in FDI projects over the past year, with 206 projects in 2023-24. The UK also decreased during this period (-6.0%).** FDI jobs also decreased in the Midlands and the UK. **The manufacturing industry, on balance, experienced growth this quarter. Although, overall, performance fell short of expectations, the sector is moving upwards as businesses secure new work providing security in the medium term.** With inflation slowing and supply-chain disruption easing, manufacturers are naturally feeling more upbeat these days. **West Midlands manufacturing confidence is at 7.0, with the East Midlands at 6.6.**
- Following on from reports in previous Economic Monitors, **competition for skills, increased wage costs and high interest rates are continuing to ramp up pressure on businesses and act as a drag on investment and growth.**
- Over the past five years, the labour market has seen the weakest employment growth since 1979-1983 and the largest increase in economic inactivity since 1971.
- The latest job postings data shows that the number of postings across the Midlands dropped 22.2% over the last six months to 719,466.
- There were 286,260 claimants aged 16 years and over in the Midlands Engine area in May 2024, an increase of 6,565 claimants (+2.3%, UK +2.2%) since the previous month. There are 64,690 more claimants (+29.2%, UK +28.4%) when compared to March 2020.

More broadly, this month covers a series of different work on **productivity and levelling up**:

- In 2022, **unsmoothed GVA per hour for the overall Midlands Engine area was £35.45. Since 2021, the Midlands Engine area increased by 3.3% (+£1.14), the UK increased by 5.7% (+£2.20).** In 2022, UK unsmoothed GVA per hour was £41.00 meaning the **Midlands Engine area had a shortfall of £5.55.**
- **The Tech Nation Report 2024: UK Tech in the Age of AI** provides a comprehensive overview of the investment data and trends shaping the future of UK tech.
- A report from Bidwells addresses the challenges in tackling the UK's productivity problem and the role that space and land usage has in doing this. **It explores how housing affordability pressures mean that high-potential, young professionals could be priced out of some of Britain's most productive places.**
- Data from Beauhurst reveals how following a boom in funding during the pandemic period, we have seen investment levels slip away globally. **While early stage funding has returned to levels not far short of the pre pandemic period, later stage fundraising, which effectively makes the important step in the commercialisation of innovation, remains severely suppressed.** This is the area where the UK has historically fallen short relative to competitor counties.
- Centre for Cities reveals there is a large prosperity gap between the UK and the leading economies of the G7. The prosperity gap exists partly **because the largest cities outside the UK capital such as Birmingham, Manchester, and Glasgow, do not make the contribution to the UK economy that their peer cities such as Los Angeles, Lyon, and Frankfurt make to their national economies.**
- While a report from NIESR explains how the combination of insufficient central government resources and the slow disbursement of relatively small pots of money has meant that there are few signs of Levelling Up.

1. Economy and Labour Market Impacts

Global and National Outlook

Global

World Bank Economic Outlook

World Bank's latest update of their economic outlook report include:

- **Global growth is projected to hold steady at 2.6% in 2024 before edging up to an average of 2.7% in 2025-26.** That is well below the 3.1% average in the decade before Covid-19. The forecast implies that over the course of 2024-26 countries that collectively account for more than 80% of the world's population and global GDP would still be growing more slowly than they did in the decade before Covid-19.
- **Developing economies are projected to grow 4% on average over 2024-25, slower than in 2023.** Growth in low-income economies is expected to accelerate to 5% in 2024 from 3.8% in 2023. However, the forecasts for 2024 growth reflect downgrades in three out of every four low-income economies since January. In advanced economies, growth is set to remain steady at 1.5% in 2024 before rising to 1.7% in 2025.
- **This year, one in four developing economies is expected to remain poorer than it was on the eve of the pandemic in 2019.** This proportion is twice as high for countries in fragile- and conflict-affected situations. Moreover, the income gap between developing economies and advanced economies is set to widen in nearly half of developing economies over 2020-24 — the highest share since the 1990s. Per capita income in these economies—an important indicator of living standards—is expected to grow by 3.0% on average through 2026, well below the average of 3.8% in the decade before Covid-19.
- **Global inflation is expected to moderate to 3.5% in 2024 and 2.9% in 2025, but the pace of decline is slower than was projected just six months ago.** Many central banks, as a result, are expected to remain cautious in lowering policy interest rates. Global interest rates are likely to remain high by the standards of recent decades—averaging about 4% over 2025-26, roughly double the 2000-19 average.
- **East Asia and Pacific**: Growth is expected to decelerate to 4.8% in 2024 and to 4.2% in 2025.
- **Europe and Central Asia:** Growth is expected to edge down to 3.0% in 2024 before moderating to 2.9% in 2025.
- **Latin America and the Caribbean:** Growth is expected to decline to 1.8% in 2024 before picking up to 2.7% in 2025.
- **Middle East and North Africa:** Growth is expected to pick up to 2.8% in 2024 and 4.2% in 2025.
- South Asia: Growth is expected to slow to 6.2% in 2024 and remain steady at 6.2% in 2025.
- **Sub-Saharan Africa:** Growth is expected to pick up to 3.5% in 2024 and to 3.9% in 2025.

National

S&P Forecast for the British Economy

S&P Global Ratings has upgraded its forecast for UK economic growth after a better than expected start to the year and ahead of a boost from looming interest rate cuts.

The ratings agency at the end of June lifted its forecast for UK economic growth for 2024 to 0.6%, up from just 0.3% previously, on the basis that inflationary pressures will continue to ease and the country will also benefit from 'improving terms of trade'.

S&P reported 2024 had 'started off strong for the UK economy' after expanding by 0.6% in the first quarter, 'more than offsetting' the contraction seen in the second half of last year. It added: 'Improving terms of trade are helping, with net trade the largest contributor to GDP growth, as imports contracted more than exports. 'Investments were also strong, making up nearly half of the increase in activity, which suggests the effects of past interest rate rises is starting to fade. This was particularly visible in the construction sector.'

Consumer Price Inflation and Producer Price Inflation

Consumer Price Inflation: CPIH rose by 2.8% in the 12 months to May 2024, down from 3.0% in April. CPI rose by 2.0% in the same period, down from 2.3% in April. Core Inflation: Core CPIH (excluding energy, food, alcohol, and tobacco) rose by 4.2% in the 12 months to May 2024. Core CPI rose by 3.5% in the same period.

Producer input prices fell by 0.1% in the year to May 2024, while output prices rose by 1.7%. Monthly, producer input prices showed no change, and output prices fell by 0.1%.

Private Rent and House Prices

Average UK private rents increased by 8.7% in the 12 months to May 2024. Average house prices increased by 1.1% in the 12 months to April 2024.

Renewable Energy

The majority of Britain's onshore renewable energy projects are failing to get beyond the planning stage, according to analysis that highlights the challenges the country still faces in hitting its clean energy targets.

Sixty-three per cent of the roughly 4,000 applications submitted for wind, solar and battery projects between 2018 and 2023 have been refused, abandoned, withdrawn or had their planning permission expire, according to Cornwall Insight, an energy consultancy. A further 18 per cent have been sent back for revision, leaving only a fifth of projects either waiting for a planning decision or ready to be built.

Policy Considerations

THEME	KEY INSIGHTS
Outlook	• The UK economy has largely flatlined following the initial stages of post-pandemic recovery. Recent data from the Office for National Statistics (ONS) reveals **monthly real gross domestic product (GDP) is estimated to have shown no growth in April 2024, following growth of 0.4% in March 2024.** Real gross domestic product is estimated to have grown by 0.7% in the three months to April 2024 compared with the three months to January 2024. • The British Chambers of Commerce forecast, has **upgraded growth expectations for 2024 to 0.8%, rising to 1% in 2025**. But the overall profile remains flat, as a **poor outlook for exports acts as a drag anchor and high interest rates continue to limit investment.** This comes as BCC surveys continue to show most SMEs are still not increasing their investment. • While CPI inflation should dip below the Bank of England's 2% target this year, it is **expected to rise again to 2.3% across Q4 2024**. It is also forecast to be slightly above target in Q4 2025 at 2.1% and 2.2% in Q4 2026. • The latest CBI economic forecast points to **encouraging signs that the UK economy is on track to gradually pick up steam over 2024 and 2025**. UK GDP growth is projected to rise to 1.0% in 2024, momentum will continue with GDP growth in 2025 anticipated to reach 1.9%.
Trading Conditions	• The Consumer Prices Index including owner occupiers' housing costs (CPIH) **rose by 2.8% in the 12 months to May 2024, down from 3.0% in the 12 months to April. The Consumer Prices Index (CPI) rose by 2.0% in the 12 months to May 2024, down from 2.3% in the 12 months to April**. • **Energy prices continue to present a risk for the UK inflation outlook. Wholesale gas prices have risen by more than 30% since the start of April**, and if prices remain at this level into the autumn, household energy bills could potentially rise again in October. 53% of small businesses are concerned about this, according to an FSB survey. Nevertheless, the overall outlook for inflation remains broadly positive. • New analysis from Grant Thornton finds that **labour productivity of UK mid-sized businesses, when measured as average annual revenue per employee, has surpassed that of larger and smaller companies, and the UK average**, for the past six years. • New analysis from KPMG reveals that **mid-sized UK businesses are in the best position to drive economic growth, with turnover increasing by 13.3% between 2017-2022**. 5.9% of top percentile growth firms were in the West Midlands, and 5.0% were in the East Midlands. • **Challenging economic conditions are beginning to impact the financial performance of social enterprises**, but they are still making significant contributions to the UK economy. 50% of social enterprises increased their turnover in the past year, compared to 65% in 2023. 30% of social enterprises made a loss in the past year - an increase from 26% in 2023. • Figures from the Federation of Small Businesses (FSB) show that **one in five (22%) small firms are worried about the costs of exports and imports over the next five years.** The research also shows how one in four (27%) would like to see a reduction in the cost and time it takes to import and export. • **There was a sharp decline in the number of businesses set up in the Midlands last month, according to insolvency and restructuring trade body R3.** • Monthly analysis of regional start-up data from business intelligence provider Creditsafe shows that there were **4,951 businesses set up in the West Midlands in May, a 41.73% decrease compared to the 8,497 new businesses registered in April. In the East Midlands, R3's figures show there were 2,076 new businesses registered in May, a 42.32% drop from 3,599 the previous month.**
Labour Market	• There are further signs that the labour market is cooling as vacancies **continue to fall and unemployment ticks up, as the number of** payrolled employees in the UK decreases**.** However, this has yet to translate into any noticeable weakening of growth in real wages or earnings. This would suggest that competition for skills is still strong, and the substantial cost pressures of wages and interest rates will continue for longer. **The rise in the number of economically inactive is also a cause for concern.** • PwC research reveals the **mean gender pay gap has seen a decrease of 0.4% in the past year, from 12.2% in 2022/23 to 11.8% in 2023/24**, a more modest reduction than the previous year. Almost 60% of organisations reported decreases in their pay gaps this year, albeit by modest amounts. Despite the fall, the overall gender pay gap has only reduced by 1.6% since 2017, **meaning gender pay parity remains out of sight for a 21 year old woman entering the workforce today.** • **Permanent placements rose across the Midlands for the first time since November 2023** last month. The latest KPMG and REC UK Report on Jobs survey, compiled by S&P Global, **recorded the only rise experienced across the four monitored English regions. Temp billings also grew** in the fifth month of the year. Vacancies for permanent roles rose at a marginal but slightly quicker rate but the increase in temporary job openings lost momentum. According to the survey, **an increase in demand for staff fuelled a further rise in starting salaries and temp pay rates in May.**

Regional Business Activity

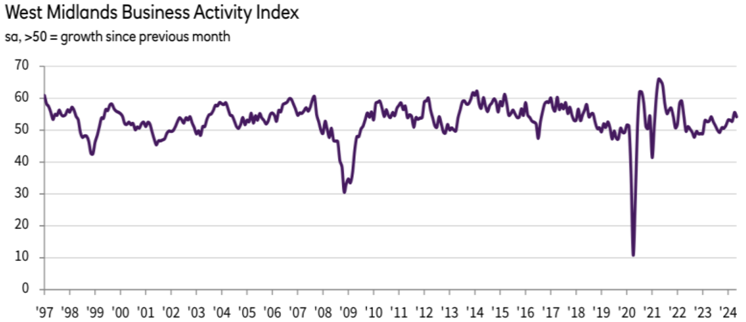
Business Activity Index

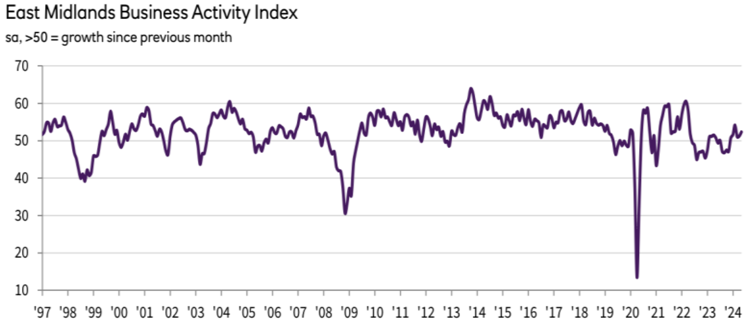
The **West Midlands Business Activity Index decreased from 55.5 in April 2024 to 54.2 in May 2024,** despite falling from a 25-month high this is the eight consecutive month of growth. The increase was linked to higher demand, new clients and better economic conditions.

The **East Midlands Business Activity Index increased from 51.2 in April 2024 to 52.3 in May 2024**, the highest rate of growth for activity for three months. The increase in activity was linked to further rises in new orders and continual improvement in demand conditions.

The UK Business Activity Index decreased from 54.1 in April 2024 to 53.0 in May 2024.

Business Activity Index Trends:





Source: NatWest UK PMI, June 2024

Demand

The West Midlands New Business Index decreased from 53.0 in April 2024 to 52.6 in May 2024, despite the fall this is the sixteenth consecutive month of growth. Firms in the reported better economic conditions, improved client confidence and demand resilience. The East Midlands New Business Index decreased from 52.2 in April 2024 to 50.4 in May 2024, despite the fall this is the fifth consecutive month of growth. Firms reported continual customer demand caused the rise the new business.

Exports

The West Midlands Export Climate Index increased from 51.9 in April 2024 to 53.2 in May 2024, the strongest improvement in trade conditions in over a year. The East Midlands Export Climate Index increased from 51.7 in April 2024 to 52.7 in May 2024, the strongest improvement in trade conditions in a year.

Business Capacity

The West Midlands Employment Index increased from 47.5 in April 2024 to 48.8 in May 2024, but signals a fourth consecutive month of falls in employment. The East Midlands Employment Index decreased from 49.0 in April 2024 to 48.9 in May 2024, which is the eleventh consecutive monthly drop in employment and the steepest decline since November 2023.

The West Midlands Outstanding Business Index decreased from 48.0 in April 2024 to 47.8 in May 2024 as firms reported efficiency gains. The East Midlands Outstanding Business Index decreased from 47.0 in April 2024 to 45.2 in May 2024, the contraction period now extends to over 18 months as well as being the fastest contraction since September 2023.

Prices

The West Midlands Input Prices Index decreased from 64.3 in April 2024 to 58.0 in May 2024, the latest reading still indicates a rise in input prices but had considerably eased. Firms still reported higher prices in various areas such as food, fuel, materials, wages, electricity and energy. The East Midlands Input Prices Index decreased from 65.9 in April 2024 to 59.2 in May 2024, the latest figures still show a rise in input prices but at the slowest rate since November 2020. The increase was linked to higher wages and material costs.

The West Midlands Prices Charged Index decreased from 56.3 in April 2024 to 54.5 in May 2024. The ongoing cost increases led to some firms to increase selling prices, but the rate of charge inflation was the weakest in three-and-a-half years. Some firms refrained from price hikes in a bid to boost sales. The East Midlands Prices Charged Index decreased from 54.9 in April 2024 to 53.2 in May 2024. Although, the average output charge has continued to increase as firms passed on costs to customer. The rate of inflation has slowed to the second weakest since January 2021.

Outlook

The West Midlands Future Business Activity Index increased from 78.7 in April 2024 to 80.5 in May 2024 – the highest reading since May 2021 and the most optimistic region across the UK. Optimism was linked to the hope of improving economic conditions, tourism, marketing efforts and new business.

The East Midlands Future Activity Index increased from 67.9 in April 2024 to 69.1 in May 2024. Firms were optimistic for the upcoming 12 months due to efforts to diversify revenue, advertising and the hopes of stronger demand conditions.

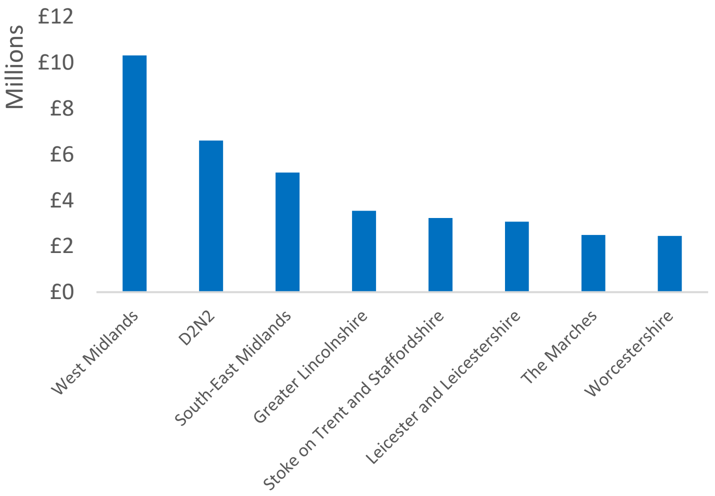
Source: NatWest: UK PMI report for May 2024, released June 2024.

Local Skills Investment Fund in the Midlands

The Midlands Engine Observatory has recently published an insight on Local Skills Investment Funds (LSIF) in the Midlands Engine area, which serves as a follow-up to a previous insight on Local Skills Improvement Plans (LSIP).

For context, in autumn 2022, **employer representative bodies (ERBs) were designated to lead the development of local skills improvement plans (LSIPs) for all 38 areas of the country.** Each plan provides an agreed set of actionable priorities that employers, providers and local stakeholders can get behind to drive change to bridge skills gaps and provide a roadmap to realign skills delivery with local business needs. The Local Skills Improvement Fund (LSIF) is one of the vehicles to enable further education (FE) providers to collectively respond to priorities outlined in each LSIP.

Midlands LSIP area allocation of the LSIF, 2023-25

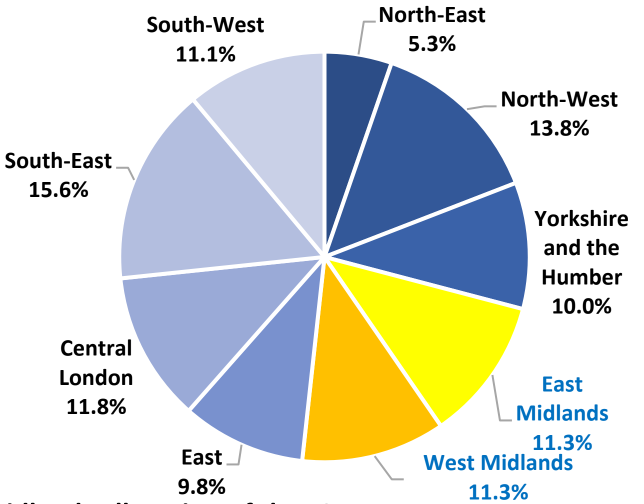


LSIF Awards: 2023 to 2025

Between 2023 and 2025, England secured a total of **£162.9m** LSIF funding**.** Notably, **the South East emerged as the frontrunner, receiving £25.4m funding (15.6%)** of the allocation, whilst **the North East received the lowest share with only £8.6m (5.3%).**

In the Midlands LSIP areas, the cumulative LSIF award amounted to **£36.9m, representing a 22.7% share of England's allocation** – significantly boosting the regional economy. More specifically, the **West Midlands received £18.5m (11.3%) whilst the East Midlands received £18.4m (11.3%).**

LSIF awards by region, 2023-25:



Examples of how the LSIF is being spent across the region include six new hubs in the D2N2 area, one such being the new Green Skills Centre at Nottingham College; Leicester and Leicestershire is spending their chunk to develop future green and digital skills across the city and county with priorities around decarbonising transportation, green leadership skills, digital upskilling and employer skills training; The Marches plans to launch 14 new training centres which will create at least 30 new courses; and the West Midlands will focus on specific sectors including expanding on the regions electrification and engineering offer, and supporting teachers and employers in the region.

Midlands LSIP Area Allocation of the LSIF, 2023-25:

Area	Endorsing ERB*	Funding Approved	Lead Applicant
D2N2	Federation of Small Businesses	**£6,604,099**	Nottingham College
Greater Lincolnshire	Federation of Small Businesses	**£3,547,293**	TEC Partnership
Leicester and Leicestershire	East Midlands Chamber of Commerce	**£3,067,331**	Leicester College
South-East Midlands	Northamptonshire Chamber of Commerce (incorporating Milton Keynes Chamber)	**£5,208,930**	Milton Keynes College
Stoke-on-Trent and Staffordshire	Staffordshire Chamber of Commerce & Industry	**£3,231,734**	Newcastle and Stafford Colleges Group
The Marches	Shropshire Chamber of Commerce	**£2,489,864**	Telford College
West Midlands	Coventry & Warwickshire Chamber of Commerce	**£10,304,523**	Solihull College and University Centre
Worcestershire	Herefordshire & Worcestershire Chamber of Commerce	**£2,451,994**	Kidderminster College (NCG)

*Endorsing Employer Representative Body

Midlands allocation of the LSIF

Analysis of the allocated funds revealed distinct sector and technology focuses within the region. These include:

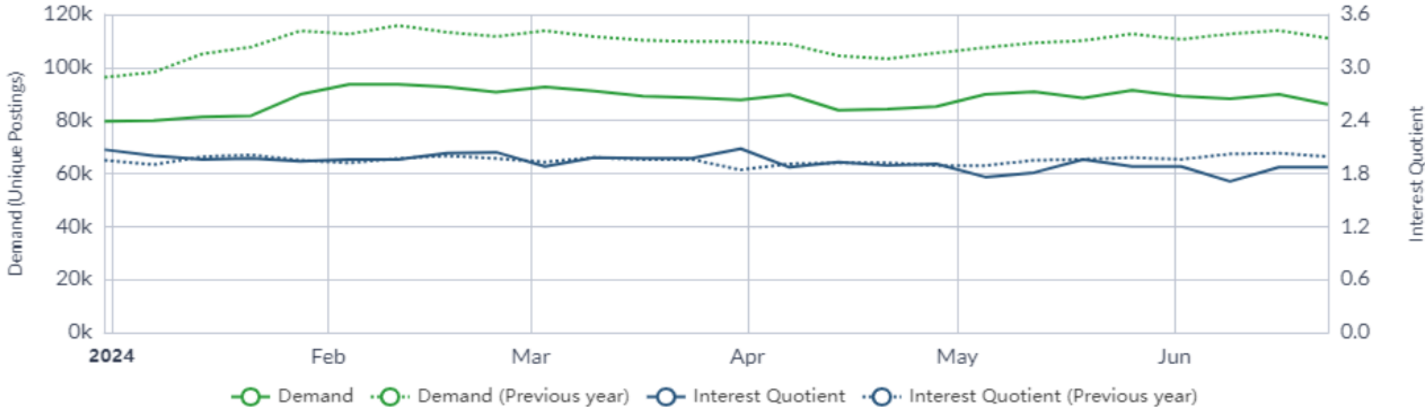
- Digital
- Engineering and manufacturing
- Green construction
- Green skills

Labour Market and Job Postings

Over the past five years, the labour market has seen the weakest employment growth since 1979-1983 and the largest increase in economic inactivity since 1971. The latest data reports a continued decline in the employment rate, now at its lowest since 2017, coupled with economic inactivity higher than during the pandemic and a slight rise in unemployment. Demand however in the form of vacancies remain fairly strong at around 900,000 but with notable contraction in hospitality (accommodation and food services), retail and the arts, entertainment and recreation.

The latest job postings data shows that the **number of postings across the Midlands dropped 22.2% over the last six months to 719,466**. Despite employer demand narrowing, those seeking work - wanting a job, currently remains heightened (1.9 Interest Quotient).

Overall Demand and Interest for the Midlands:



The **advertised median salary across the Midlands has increased by 9.8%** year-on-year to £32,685 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 34..3% of all job postings in the last six months.

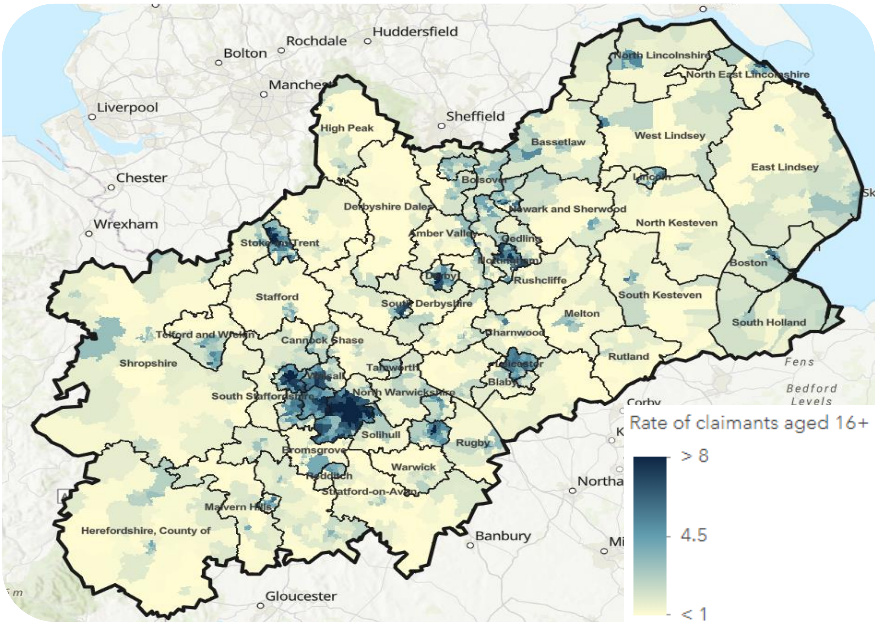
Source: Adzuna Limited Job Posting Intelligence, Accessed June 2024. The Interest Quotient uses jobseeker data to quantify the level of interest in particular roles.

Labour Market Impacts: Claimants

There were **286,260 claimants aged 16 years and over** in the Midlands Engine area in May 2024, an increase of 6,565 claimants (+2.3%, UK +2.2%) since the previous month. **There are 64,690 more claimants (+29.2%, UK +28.4%) when compared to March 2020**. East Lindsey and North East Lincolnshire have lower levels of claimants now than in March 2020 (-900 and -340 respectively).

The number of claimants as a percentage of residents aged 16 years and over was 3.4% in the Midlands Engine and 3.0% for the UK in May 2024.

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



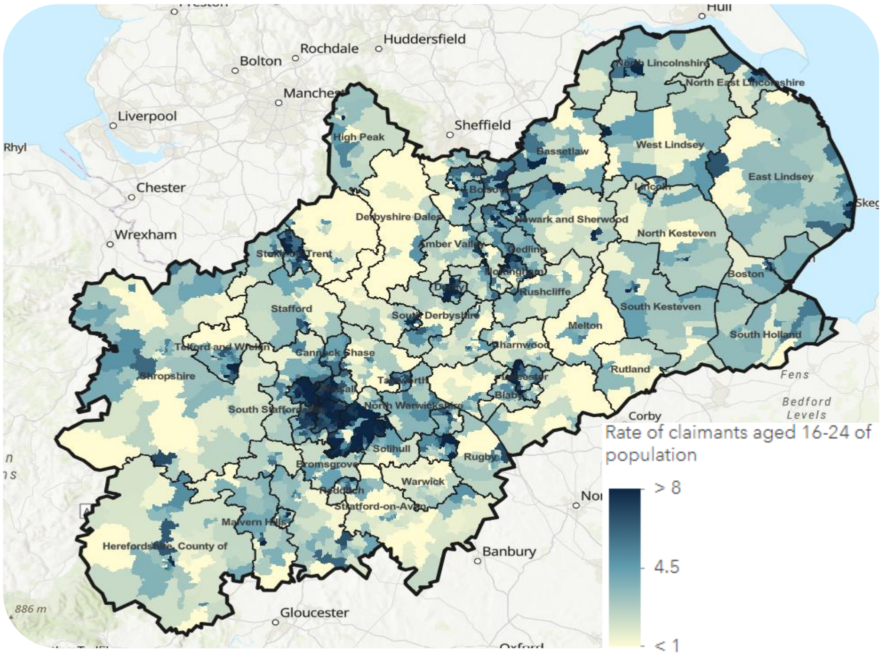
Out of the 1,511 wards within the Midlands Engine, 415 were at or above the UK average of 3.0% for the number of claimants as a percentage of the population aged 16 years and over in May 2024.

The wards with the highest number of claimants as a percentage of the population were Lozells and Handsworth at 17.7% and 17.3% respectively. In contrast, the wards with the lowest number of claimants as a percentage of the population were Keele (Newcastle-Under-Lyme) at 0.1%, followed by Ashby Castle (North West Leicestershire) at 0.2%.

There were **54,260 claimants aged 16-24 years old** in the Midlands Engine area in May 2024 – equal to the previous month, with the UK decreasing by 0.03%. Since March 2020, **the number of youth claimants has increased by 10,065** (+22.8%, UK +17.1%). There were 9 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 4.0% for the UK in May 2024.

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



Out of the 1,511 wards within the Midlands Engine, 602 were at or above the UK average of 4.0% for the number of claimants as a percentage of the population aged 16–24 years and over in May 2024.

The ward with the highest number of youth claimants as a percentage of the population was Handsworth (Birmingham) at 17.9%, followed by Joiner's Square (Stoke-on-Trent) at 16.6% and Stockland Green (Birmingham) at 14.6%. In contrast, within the Midlands Engine there were 104 wards with no youth claimants in May 2024.

An interactive version can be found [here](#).

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

2. Business Environment

The Midlands Trade in Goods

HM Revenue & Customs [UK Regional Trade in Goods data](#) **shows in the year ending Q1 2024, the Midlands area exported £63.2bn worth of goods and imported £74.8bn.** This represents a trade in goods deficit of £11.5bn, a decrease from the trade deficit in the year ending Q1 2023 which was £19.2bn.

- The West Midlands exported £35.4bn and imported £42.1bn – a trade in goods deficit of £6.7bn.
- The East Midlands exported £27.8bn and imported £32.7bn – a trade in goods deficit of £4.8bn.

Goods Exported

In the year ending Q1 2024, goods exports from the Midlands area were worth £63.2bn and has increased by £6.4bn (+11.3%) since the year ending Q1 2023. In contrast, the UK decreased by 5.9% to £360.7bn.

- Since the year ending Q1 2023, the West Midlands goods exports increased by £3.8bn (+11.9%) to £35.4bn in the year ending Q1 2024.
- East Midlands goods exports increased by £2.7bn (+10.5%) to £27.8bn in the year ending Q1 2024.
- Notably out of the four regions to increase, the West Midlands region had the highest annual percentage increase followed by the East Midlands.

The Midlands area accounted for 24.1% of England's goods exports - above London and the South East.

Quarter-on-quarter (Q1 2024 to Q4 2023) analysis shows total goods exports from the Midlands decreased by £854m (-5.1%, UK -6.7%) to £15.9bn. The West Midlands decreased by £373m (-4.0%) and the East Midlands decreased by £481m (-6.6%).

- EU exports from the Midlands decreased by £594m (-8.0%, UK -4.1%); the West Midlands decreased by £427m (-10.4%) and the East Midlands decreased by £167m (-5.0%).
- Non-EU exports from the Midlands decreased by £261m (-2.8%, UK -9.1%), the West Midlands increased by £53m (+1.0%) whereas the East Midlands decreased by £314m (-7.9%).

Latest annual quarterly (Q1 2024 – Q1 2023) analysis shows total goods exports from the Midlands increased by £819m (+5.4%, UK -5.7%); the West Midlands increased by £445m (+5.2%) and the East Midlands increased by £374m (+5.8%).

- EU exports from the Midlands decreased by £38m (-0.6%, UK -7.8%). The West Midlands decreased by £237m (-6.1%) whereas the East Midlands increased by £199m (+6.8%).
- Non-EU exports from the Midlands increased by £857m (+10.5%, UK -3.5%) as the West Midlands increased by £683m (+14.5%) and the East Midlands increased by £174m (+5.0%).

Goods Imported

In the year ending Q1 2024, goods imports to the Midlands area were worth £74.8bn, a decrease of £1.2bn (-1.6%) since year ending Q1 2023 UK-wide total imports decreased by 8.7% to £579.3bn.

- West Midlands region goods imports decreased by £616m (-1.4%) to £42.1bn in the year ending Q1 2024.
- East Midlands imports decreased by £580m (-1.7%) to £32.7bn in the year ending Q1 2024.

Quarter-on-quarter analysis shows **total goods imports to the Midlands decreased by £721m (-3.8%, UK -7.7%). The West Midlands decreased by £22m (-0.2%) and the East Midlands decreased by £699m (-8.3%).**

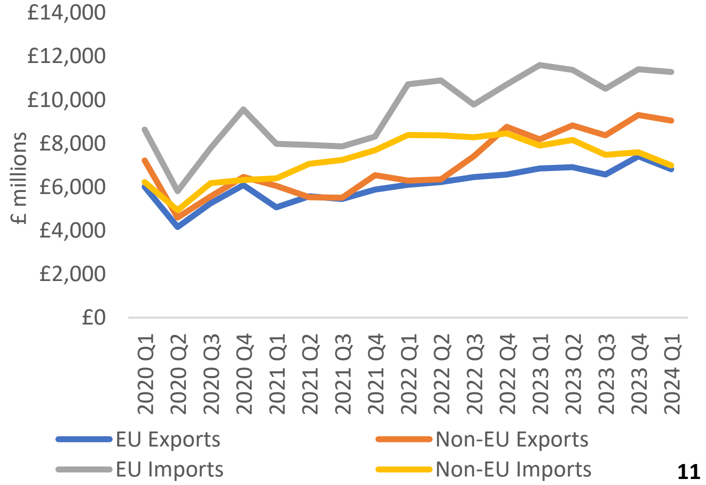
- EU imports to the Midlands decreased by £124m (-1.1%, UK -6.2%).
- Non-EU imports to the Midlands decreased by £597m (-7.9%, UK -9.4%).

Annual quarterly analysis shows **total goods imports to the Midlands decreased by £1.2bn (-6.3%, UK -11.8%).**

- EU imports to the Midlands decreased by £313m (-2.7%, UK -5.8%).
- Non-EU imports to the Midlands decreased by £910m (-11.5%, UK -18.1%).

The Midlands total value of goods exported and imported trends:

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



The Midlands Trade in Goods

Standard International Trade Classification (SITC)

- The total value of goods exports in four of the ten SITC sections increased for the Midlands since the year ending Q1 2023.
- **The largest SITC section for goods exports in the Midlands area was machinery and transport at £45.2bn – 71.5% of total; of which nearly £27.7bn (61.3%) went to non-EU locations. Since the year ending Q1 2023, overall, this SITC section increased by £6.9bn (+18.1%).**
- The total value of imports in seven of the ten SITC sections decreased and a further one remained the same level for the Midlands when compared to the previous annual period.
- The largest SITC section for goods imports to the Midlands area was machinery & transport at £38.6bn, which is 51.6% of total imports (of which 61.5% or £23.7bn of imports for this section was from the EU). This section overall has increased since the year ending Q1 2023 by £3.3bn (+9.3%).

Goods exported and imported by SITC Section (figures in £m):

	Midlands			UK		
	Year to Q1 2023	Year to Q1 2024	% Change	Year to Q1 2023	Year to Q1 2024	% Change
Total Exports by SITC Section						
0 Food and Live Animals	£1,965	£1,908	-2.9%	£16,026	£15,756	-1.7%
1 Beverages and Tobacco	£98	£89	-9.2%	£9,332	£8,303	-11.0%
2 Crude Materials	£1,873	£1,573	-16.0%	£10,174	£8,327	-18.2%
3 Mineral Fuels	£370	£300	-18.9%	£49,698	£31,628	-36.4%
4 Animal and Vegetable Oils	£56	£46	-17.9%	£748	£624	-16.6%
5 Chemicals	£3,349	£3,148	-6.0%	£62,637	£57,027	-9.0%
6 Manufactured Goods	£5,791	£5,816	0.4%	£40,690	£34,369	-15.5%
7 Machinery and Transport	£38,267	£45,192	18.1%	£136,609	£147,884	8.3%
8 Miscellaneous Manufactures	£5,026	£5,138	2.2%	£42,940	£41,694	-2.9%
9 Other commodities nes	£8	£12	50.0%	£14,629	£15,104	3.2%
Total Exports	**£56,803**	**£63,222**	**11.3%**	**£383,485**	**£360,716**	**-5.9%**
Total Imports by SITC Section						
0 Food and Live Animals	£6,558	£6,782	3.4%	£48,807	£51,103	4.7%
1 Beverages and Tobacco	£579	£564	-2.6%	£7,969	£8,005	0.5%
2 Crude Materials	£1,757	£1,455	-17.2%	£15,061	£12,514	-16.9%
3 Mineral Fuels	£2,404	£1,222	-49.2%	£108,053	£65,479	-39.4%
4 Animal and Vegetable Oils	£225	£181	-19.6%	£2,510	£2,161	-13.9%
5 Chemicals	£5,781	£4,883	-15.5%	£75,915	£63,826	-15.9%
6 Manufactured Goods	£12,696	£11,710	-7.8%	£65,112	£59,203	-9.1%
7 Machinery and Transport	£35,337	£38,609	9.3%	£208,257	£221,182	6.2%
8 Miscellaneous Manufactures	£10,616	£9,349	-11.9%	£83,217	£74,344	-10.7%
9 Other commodities nes	£3	£3	0.0%	£19,458	£21,462	10.3%
Total Imports	**£75,955**	**£74,759**	**-1.6%**	**£634,359**	**£579,280**	**-8.7%**

Country Group

- **The highest value of goods exports from the Midlands area was to the EU at £27.7bn, accounting for 43.8% of the total. The value of goods exports to the EU has increased by £1.6bn (+6.1%) since the previous annual period.** The highest value of imports to the Midlands area was from the EU at £44.6bn, which accounted for 59.6% of the total. Goods imports from the EU increased by £1.6bn (3.7%) when compared to the year ending Q1 2023.
- There was only one Country Group where goods exports from the Midlands slightly declined from the previous annual period, this was from an Undefined Country Group. While there were declines in imports to the Midlands from seven Country Groups: Asia & Oceania, Eastern Europe (excl. EU), Latin America & Caribbean, Middle East & North Africa (excl. EU), North America, Sub-Saharan Africa and Western Europe (excl. EU).

Goods exported and imported by Country Group (figures in £m):

	Midlands			UK		
	Year to Q1 2023	Year to Q1 2024	% Change	Year to Q1 2023	Year to Q1 2024	% Change
Exports by Country Group						
Asia & Oceania	£12,193	£14,202	16.5%	£59,412	£57,446	-3.3%
Eastern Europe (excl EU)	£569	£696	22.3%	£4,121	£3,897	-5.4%
European Union	£26,098	£27,685	6.1%	£198,747	£180,890	-9.0%
Latin America and Caribbean	£806	£825	2.4%	£6,267	£5,848	-6.7%
Middle East and North Africa (excl EU)	£3,457	£3,996	15.6%	£21,644	£22,095	2.1%
North America	£11,122	£12,961	16.5%	£62,331	£62,890	0.9%
Sub-Saharan Africa	£685	£728	6.3%	£6,060	£5,541	-8.6%
Western Europe (excl. EU)	£1,866	£2,123	13.8%	£16,354	£14,468	-11.5%
Undefined Country Group	£6	£5	-16.7%	£8,550	£7,641	-10.6%
Total Exports	**£56,803**	**£63,222**	**11.3%**	**£383,485**	**£360,716**	**-5.9%**
Imports by Country Group						
Asia & Oceania	£19,291	£17,826	-7.6%	£126,947	£115,198	-9.3%
Eastern Europe (excl EU)	£389	£257	-33.9%	£2,876	£1,720	-40.2%
European Union	£42,950	£44,552	3.7%	£315,150	£315,481	0.1%
Latin America and Caribbean	£1,314	£1,241	-5.6%	£10,223	£7,661	-25.1%
Middle East and North Africa (excl EU)	£1,802	£1,694	-6.0%	£27,110	£18,269	-32.6%
North America	£5,676	£4,961	-12.6%	£69,650	£58,883	-15.5%
Sub-Saharan Africa	£934	£834	-10.7%	£11,127	£8,385	-24.6%
Western Europe (excl. EU)	£3,599	£3,397	-5.6%	£63,909	£44,798	-29.9%
Undefined Country Group	-	-	-	£7,366	£8,885	20.6%
Total Imports	**£75,955**	**£74,759**	**-1.6%**	**£634,359**	**£579,280**	**-8.7%**

Foreign Direct Investment into the Midlands

Department for Business and Trade (DBT) have released statistics on inward investment and number of foreign direct investment projects (FDI) in the UK. The following summary primarily focuses on results for the Midlands in 2023-24.

All FDI Projects

- **There were 206 FDI projects into the Midlands area in 2023-24, a decrease of 22.3% (-59) compared to 2022-23. The UK overall decreased by 6.0% (from 1,654 to 1,555).**
  - In 2023-24, there were 133 FDI projects into the West Midlands, a decrease of 26.5% (-48) compared to 2022-23. There were 73 FDI projects into the East Midlands, a decrease of 13.1% (-11).
- **In 2023-24, the Midlands accounted for 13.2% of total FDI projects.**

FDI projects by UK regions and Midlands total:

	2021-22	2022-23	2023-24	Latest Percentage Change	Latest Number Change	Percentage of Total 2023-24
Multiple UK sites	63	54	58	7.4%	4	3.7%
North East	71	61	67	9.8%	6	4.3%
North West	145	137	128	-6.6%	-9	8.2%
Yorkshire and The Humber	104	103	107	3.9%	4	6.9%
East Midlands	**99**	**84**	**73**	**-13.1%**	**-11**	**4.7%**
West Midlands	**143**	**181**	**133**	**-26.5%**	**-48**	**8.6%**
East of England	81	75	79	5.3%	4	5.1%
London	444	528	503	-4.7%	-25	32.3%
South East	149	130	133	2.3%	3	8.6%
South West	96	91	72	-20.9%	-19	4.6%
Scotland	119	130	125	-3.8%	-5	8.0%
Wales	43	47	53	12.8%	6	3.4%
Northern Ireland	32	33	24	-27.3%	-9	1.5%
Midlands	**242**	**265**	**206**	**-22.3%**	**-59**	**13.2%**
Total	1,589	1,654	1,555	-6.0%	-99	100.0%

- By project type, approximately 59.4% were new investments, 31.0% were expansion projects and 9.6% were mergers and acquisition projects.

All New Jobs from FDI Projects

- **For the Midlands area, there were 10,282 new jobs created from FDI projects in 2023-24. This is a decrease of 7.3% (-809) from 2022-23. The UK also decreased over this period, by 10.1% (from 79,549 to 71,478).**
  - In 2023-24, there were 7,581 new jobs created in the West Midlands, a decrease of 8.1% (-671) from 2022-23. There were 2,701 new jobs created in the East Midlands, a decrease of 4.9% (-138).
- **In 2023-24, the Midlands accounted for 14.4% of new jobs created from FDI projects in the UK.**

New jobs created by FDI projects by UK regions and Midlands total:

	2021-22	2022-23	2023-24	Latest Percentage Change	Latest Number Change	Percentage of Total 2023-24
Multiple UK sites	20,749	13,198	9,184	-30.4%	-4,014	12.8%
North East	5,843	3,047	4,296	41.0%	1,249	6.0%
North West	5,480	5,820	5,097	-12.4%	-723	7.1%
Yorkshire and The Humber	3,738	7,378	3,732	-49.4%	-3,646	5.2%
East Midlands	**6,888**	**2,839**	**2,701**	**-4.9%**	**-138**	**3.8%**
West Midlands	**5,571**	**8,252**	**7,581**	**-8.1%**	**-671**	**10.6%**
East of England	3,421	2,613	5,045	93.1%	2,432	7.1%
London	18,125	20,647	19,736	-4.4%	-911	27.6%
South East	4,098	3,941	4,405	11.8%	464	6.2%
South West	2,533	3,908	2,190	-44.0%	-1,718	3.1%
Scotland	4,408	3,428	4,035	17.7%	607	5.6%
Wales	1,793	3,062	1,904	-37.8%	-1,158	2.7%
Northern Ireland	2,112	1,416	1,572	11.0%	156	2.2%
Midlands	**12,459**	**11,091**	**10,282**	**-7.3%**	**-809**	**14.4%**
Total	84,759	79,549	71,478	-10.1%	-8,071	100.0%

- By project type, approximately 67.8% were new investments causing new jobs and 32.2% were expansions causing new jobs.

All FDI and European Union (EU) Split

- 42.5% of Midlands FDI projects (UK: 38.7%) and 44.0% of new jobs created (UK: 37.5%) were from the EU between 2021-22 to 2023-24.

Net Zero and Research & Development

- The Midlands accounted for the highest number of FDI projects for Net Zero at 39 (19.0% of total), which created 3,722 new jobs in 2023-24. Also, there were 63 FDI projects which created 3,024 new jobs linked to Research and Development.

Manufacturing Outlook

Headlines from **[Make UK manufacturing outlook quarter 2 2024]** shows that **the manufacturing industry, on balance, experienced growth this quarter.** Although, overall, performance fell short of expectations, the sector is moving upwards as businesses secure new work providing security in the medium term.

Balance of output reported at +9% this quarter, up from +5%, suggesting industry production has accelerated to meet rising order books. The consistent trend of positive balances being reported by manufacturers is the best indication of stability in the sector. While the output balances have displayed remarkable instability in recent quarters, such as the +20% balance for output in Q4 2020, the industry has been in positive territory for 14 quarters back-to-back. **Manufacturers continue to expect widespread growth in the next quarter** which, though it will be difficult to fully realise, indicates that the upward trend is likely to continue into Q3.

Even more positive than the growth in output is the upward trend in order book growth. A balance of +14% indicates that the share of businesses that experienced an improvement in their order books has doubled in the last three months. Overall, this suggests that the sector is returning to a situation akin to normal business conditions, although the results suggest that general activity still falls short of historical trends.

Though the latest survey findings indicate good news across the board, there is a strong sign of a slowdown taking place in the domestic market, with manufacturers relying more on exports to fill their pipelines of work. The domestic market effectively saved the manufacturing sector during the recent periods of extreme supply-chain disruption and global inflation which made importing materials more difficult. However, since many of these disruptions have shown material signs of easing, the growth in the domestic market has slowed markedly, posting a balance of +2% in the latest survey. In comparison, the balance for export orders improved to +10%, matching its best performance since the festive period in the fourth quarter of last year.

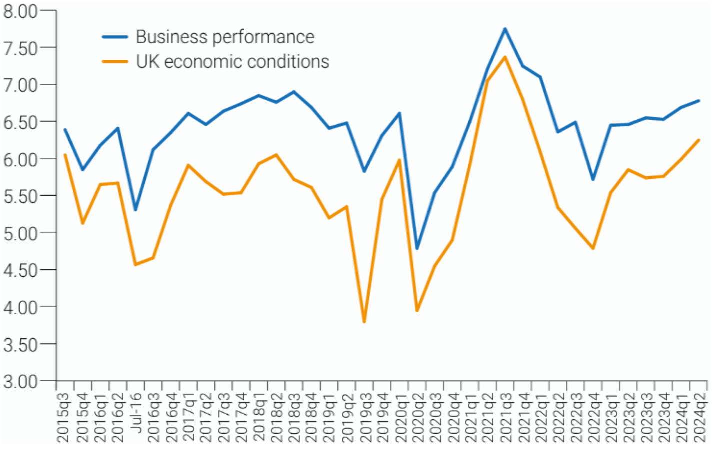
Employment grew modestly in the last three months, with a balance of +8% of manufacturers reporting an increase in their headcount. **Though manufacturers expect to increase headcount in the next quarter, the findings of the survey indicate that overall labour demand may be easing slightly.** The current balance is 4 points below last quarter's, and official statistics highlight that vacancy rates are beginning to drop in the industry. Moreover, investment intentions continue to stand out, posting a balance of +11%, making it the 6th consecutive quarter of positive investment intentions.

The share of businesses raising prices has eased following a surprising upturn in the previous survey. A large share of manufacturers continue to raise prices on their goods, and this impact appears particularly pronounced for export goods. This is borne out by the performance in margins, with export margins doing relatively better than UK margins. Though both remain negative on balance.

The latest result indicates respondents' confidence in their own business has risen to their highest level since Q1 2022. Back then demand for goods appeared almost limitless. Today, business activity is relatively more stable. With inflation slowing and supply-chain disruption easing, manufacturers are naturally feeling more upbeat these days.

Confidence in the next 12 months:

1 = substantially worse, 10 = substantially better



Source: Make UK Manufacturing Outlook Survey

Latest national summary:

INDICATOR	BALANCE	CHANGE	
Confidence	6.9	↑	Business optimism improves
Output	9%	↑	Output volumes indicate slight expansion
UK orders	2%	↑	Domestic order books marginally positive
Export orders	10%	↑	Export orders rebounds sharply
Employment	8%	↓	Jobs growth remains positive but slows
Investment	11%	↓	Positive investment activity is encouraging

Source: Make UK Manufacturing Outlook Survey

Manufacturing Outlook

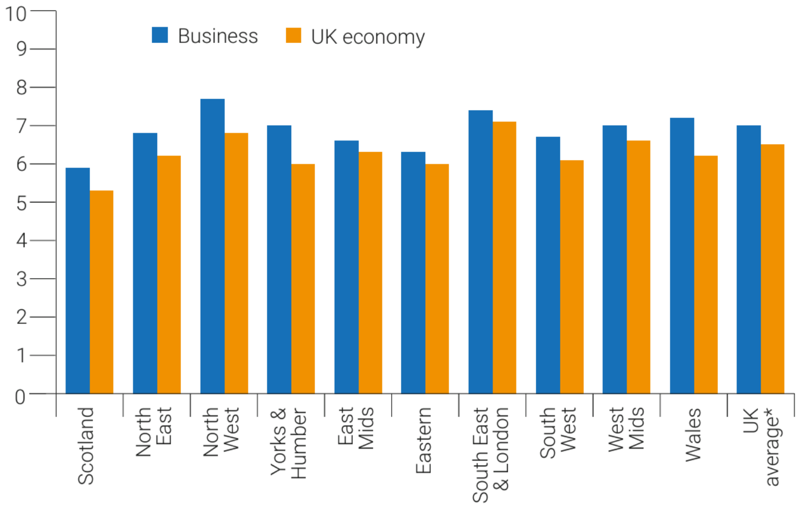
Regional Insights

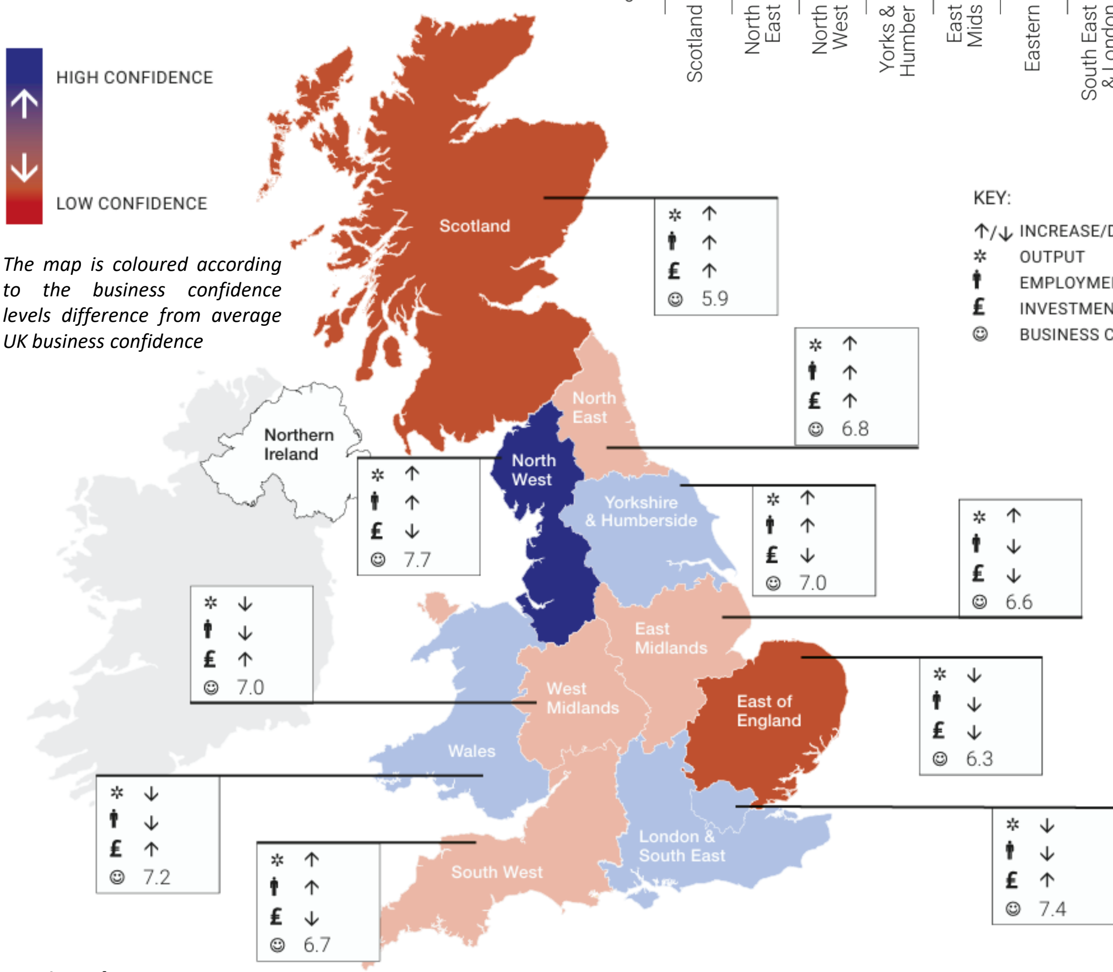
Regardless of the economic performance of the wider economy, or even the industry itself, businesses are much more prone to positivity than they have been in the past.

Headline business confidence reported at 6.9, which is an improvement on last quarter's level (reporting at 6.7). **All regions and nations reported above the '5' inflexion point that separates positive and negative confidence.** This indicates that on average, most manufacturers are relatively in line in terms of their optimism levels for the next 12 months.

Confidence in the next 12 months:

1 = substantially worse, 10 = substantially better





The map is coloured according to the business confidence levels difference from average UK business confidence

KEY:
↑/↓ INCREASE/DECREASE ON PREVIOUS QUARTER
✲ OUTPUT
EMPLOYMENT
£ INVESTMENT
☺ BUSINESS CONFIDENCE

The East Midlands in particular is set to benefit from increased production in the automotive and food and drink sectors which have a strong presence in the region. This better picture is translating into increased recruitment intentions with job prospects especially strong compared to historical levels.

Regional summary:

% balance of change

REGION	OUTPUT		TOTAL ORDERS		EMPLOYMENT	
	PAST 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS
Scotland	11	20	9	28	14	32
North East	42	17	17	8	25	8
North West	42	21	58	21	16	11
Yorks & Humber	29	41	32	27	5	27
East Mids	11	16	32	0	-11	16
Eastern	-39	50	-33	17	-6	6
South East & London	24	42	29	45	8	32
South West	-11	6	-17	11	-6	33
West Mids	-8	54	23	62	-8	8
Wales	-18	27	18	45	9	-27

Artificial Intelligence

The Tech Nation Report 2024: UK Tech in the Age of AI provides a comprehensive overview of the investment data and trends shaping the future of UK tech – for example, considering the funding environment, startup sentiment, emerging industries along with a special focus on the impact and future potential of AI. This summary will mainly provide insights from the report on a Midlands basis.

UK AI in context: £92bn combined market valuation in Q1 2024, 1 in 2 tech companies using AI to improve their existing product offering, 16% of total UK VC investment went to AL startups in Q1 2024, over 1,800 UK AI startups backed by VCs and 20 AI Unicorns.

Findings for the Midlands area:
The combined market value of tech ecosystems across the UK as well as VC investment, AI VC investment, and unicorns, all figures are for 2023:

- **West Midlands**: combined market value of tech ecosystems: $20.1bn, Investment: $794m, AI Investment: $549m and unicorns: 4.
- **East Midlands**: combined market value of tech ecosystems: $31.4bn, Investment: $154m, AI Investment: $0.7m and unicorns: 3.

There are more than 1,800 VC-backed AI startups and scaleups in the UK (end of Q1 2024):

- **West Midlands**: 28 AI Startups and 1 Soonicorn. Notably, between 2018-2023 $616m was raised by AI startup.
- **East Midlands**: 27 AI Startups. A notable AI unicorn is Snyk in Boston for the security and enterprise software industry in 2020 which has since relocated to the US.

Across the UK, tech startups in London raise the most capital, but entrepreneurship is distributed throughout the country with investment growing fastest in the West Midlands, Glasgow, and Northern Ireland. With significant growth in the past five years, Birmingham, Liverpool, Sheffield, Glasgow, and Belfast are the UK tech hubs to watch.

Investment by City:

City	2023	Growth in VC (2019 - 2023)
Birmingham	$643m	1183%
Liverpool	$195m	657%
Sheffield	$300m	595%
Glasgow	$224m	526%
Belfast	$123m	227%
Oxford	$786m	125%
Durham	$133m	104%
Brighton	$24m	47%
Cambridge	$8m	37%
Cardiff	$125m	9%
London	$12m	4%
Leeds	$88m	-5%
Newcastle	$70m	-13%
Edinburgh	$135m	-21%
Bristol	$437m	-27%
Nottingham	$12m	-33%
Manchester	$237m	-44%

Source: Tech Nation Report 2024: UK Tech in the Age of AI

Tech Nation Ten Step Action Plan for UK Tech Includes:
Seize the opportunity to spearhead AI innovation, champion responsible AI development, invest in AI skills development at scale, enhance vital growth-stage support, bolster regional tech hubs across the UK, build diverse and inclusive talent pipelines, bridge the funding gap for women and underrepresented founders, strengthen global partnerships, make it easier for global tech talent to work in the UK and empower climate action through technology.

Local Business and Policy Intelligence By Sector

SECTOR	KEY INSIGHTS
Tech / Digital	• The British Chambers of Commerce has launched its Digital Revolution report outlining a framework to create a connected, dynamic and secure future for UK businesses. • **The EU will launch its AI Office, responsible for tasks such as ensuring the coherent implementation of the AI Act**, from 16 June. The AI Office will directly enforce the rules for general-purpose AI models – foundational AI models that can be used for a wide range of purposes, some of which may be unknown to the developer, such as OpenAI's GPT-4. • **The UK remains Europe's leading destination for FDI in Digital Technology**, securing 27% of all European digital tech projects last year, according to figures from EY Attractiveness Survey.
Construction	• **A £20m** production plant has opened in **Wellingborough to supply the construction industry across the Midlands with reduced-carbon secondary aggregate.** • **Monthly construction output in the UK is estimated to have decreased 1.4% in volume terms in April 2024, with the monthly value in level terms at £14,940 million.** The fall in monthly output came from decreases in both new work (1.9% fall), and repair and maintenance (0.8% fall); anecdotal evidence from survey returns suggests effects of heavy rainfall and strong winds affected output in April.

Retail, Hospitality and Tourism	• CBRE research reveals the extent to which it has been a difficult period for pub and restaurant operators. **Rising household expenses has led to consumer cutbacks, with a 4% fall in consumer spending on restaurants, pubs, and alcoholic beverages over the past 18 months.** This has been coupled with the higher operating costs, in particular, energy and staff costs, which are in total 14% higher than pre-pandemic. **The resulting pressure on profit margins has led to the closure of over 500 pubs in 2023.**
	• **The West Midlands lost more pubs than nearly every other region during the first quarter of 2024**, research has revealed. This has led to West Midlands pub groups and breweries among those demanding immediate cut in beer duty.
	• **England and Scotland's Euro 2024 exploits are likely to net retailers a vital spending boost.** After weak retail sales growth in May of just 0.7%, a new poll of 2,000 UK shoppers suggests that the nations' love of football will translate into additional purchases. Groceries and electronics were the big winners, as more than one-in-eight people plan to spend more on drinks and snacks, while over one-in-twenty plan to buy new screens to watch the game on. The polling found:
	  • **13% of people plan to spend more** on groceries, beer, wine & spirits, and takeaways to enjoy whilst watching the Euros
	  • 9% plan to host or attend gatherings with family and friends to watch matches
	  • **6% of shoppers expect to buy a new TV or electronic device to watch and keep up with the Euros**
	  • 4% plan to purchase official merchandise

Manufacturing	• **Britain's manufacturers are seeing a boost in growth prospects as output and orders pick up**, with the sector forecast to outpace the economy overall this year, according to Make UK's Q2 Manufacturing Outlook survey. It also finds that business confidence has risen to equal its highest level in the last decade, as companies look to finally emerge from a two year slump following the post-COVID rebound. **West Midlands manufacturing confidence is at 7.0, whilst East Midlands is at 6.6.** • Meanwhile a leading manufacturing boss is calling on the industry to **take control of its own destiny and to stop waiting on government to care about the sector.**
Environmental Technologies	• An ambitious scheme to meet Derbyshire and Nottinghamshire's net zero targets has moved one step closer to reality, after the newly-formed East Midlands Combined County Authority (EMCCA) gave its backing to the region's Local Area Energy Plan (LAEP). **The initiative will see a net zero action plan rolled out across the region, which will aim to deliver an "effective, on-time and value for money" approach to climate resilience**
Transport Technologies	• New research from PwC UK finds that nearly **half of consumers would be interested in a subscription service for their next vehicle.** Demand for subscription offerings largely driven by younger customers, particularly for premium and luxury brands. Key factors for current and aspiring motorists considering subscription include **access to latest cars and technology, budget-friendly running costs and driver convenience.**

Business Insights and Impact on the UK Economy

ONS have published the final results from Wave 110 of the Business Insights and Conditions Survey (BICS).

Financial Performance
32.4% of West Midlands businesses and 32.1% of East Midlands businesses reported that turnover in May 2024 when compared to the previous month had increased. While 18.1% of West Midlands businesses and 19.4% of East Midlands businesses reported turnover had decreased.

31.1% of West Midlands businesses and 29.4% of East Midlands businesses expect turnover to increase in July 2024. While 8.9% of West Midlands businesses and 9.8% of East Midlands businesses expect turnover to decrease.

Demand for Goods and Services
17.2% of West Midlands businesses and 17.9% of East Midlands businesses reported that domestic demand for goods and services in May 2024 when compared to the previous month had increased. 13.1% of West Midlands businesses and 12.5% of East Midlands businesses reported a decrease.

5.7% of West Midlands businesses and 5.2% of East Midlands businesses reported that international demand for goods and services in May 2024 when to the previous month had increased. 4.6% of West Midlands businesses and 5.3% of East Midlands businesses reported a decrease.

Global Supply Chain Disruption
7.2% of West Midlands businesses and 6.3% of East Midlands businesses experienced global supply chain disruption in May 2024. With 53.5% of West Midlands businesses and 51.9% of East Midlands businesses citing the main reason for disruption was the conflict in the Middle East.

Trade
25.4% of West Midlands businesses and 24.4% of East Midlands businesses both exported and imported in May 2024. 3.8% of West Midlands of 2.6% of East Midlands businesses exported only and 12.8% of West Midlands businesses and 12.4% of East Midlands businesses imported only.

Main Concern for Business
22.2% of West Midlands businesses and 20.9% 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 21.1% of East Midlands businesses reported **experiencing difficulties in recruiting employees** in May 2024.

Number of Employees
16.2% of West Midlands businesses and 17.1% of East Midlands businesses expect the number of employees in July 2024 to increase. 6.7% of West Midlands businesses and 6.3% of East Midlands businesses expect the number of employees to decrease.

Worker Shortage
17.9% of West Midlands businesses and 19.3% of East Midlands businesses are currently experiencing a shortage of workers. While 65.7% of West Midlands businesses and 64.8% of East Midlands were not.

Insolvency
6.3% of West Midlands businesses and 7.2% of East Midlands businesses were at moderate risk of insolvency. 45.2% of West Midlands businesses and 43.7% of East Midlands businesses reported low risk of insolvency. **37.4% of West Midlands businesses and 38.3% of East Midlands businesses had no risk of insolvency.**

Cash Reserves
7.1% of West Midlands businesses and 7.6% of East Midlands businesses had no cash reserves / less than 1 month. 27.0% of West Midlands businesses and 28.3% of East Midlands businesses had between 1 to 6 months. **45.6% of West Midlands businesses and 45.1% of East Midlands businesses had over 6 months of cash reserves.**

Supply Chains
80.8% of West Midlands businesses and 81.5% of East Midlands businesses were able to get the materials, goods or services it needed from within the UK in May 2024. A further 4.7% of West Midlands businesses and 4.4% of East Midlands businesses were able to get materials, goods or services from within the UK but by changing suppliers or finding alternative solutions. 2.8% of West Midlands businesses and 3.2% of East Midlands businesses were not able to get the materials, goods or services needed from within the UK.

Overall Performance
26.9% of West Midlands businesses and 24.5% of East Midlands businesses reported that their overall performance in May 2024 when compared to the same period in the previous year had increased. 18.8% of West Midlands businesses and 19.6% of East Midlands businesses reported performance had decreased.

38.9% of West Midlands businesses and 37.3% of East Midlands businesses expect overall performance to increase over the next 12 months. While 6.1% of West Midlands businesses and 6.5% of East Midlands businesses expect performance to decrease.

Please note – the survey reference period: 1st to 31st May 2024. Survey live period: 3rd to 16th June 2024. The response rates are low and the data is unweighted and should be treated with caution.

3. Productivity and Levelling Up

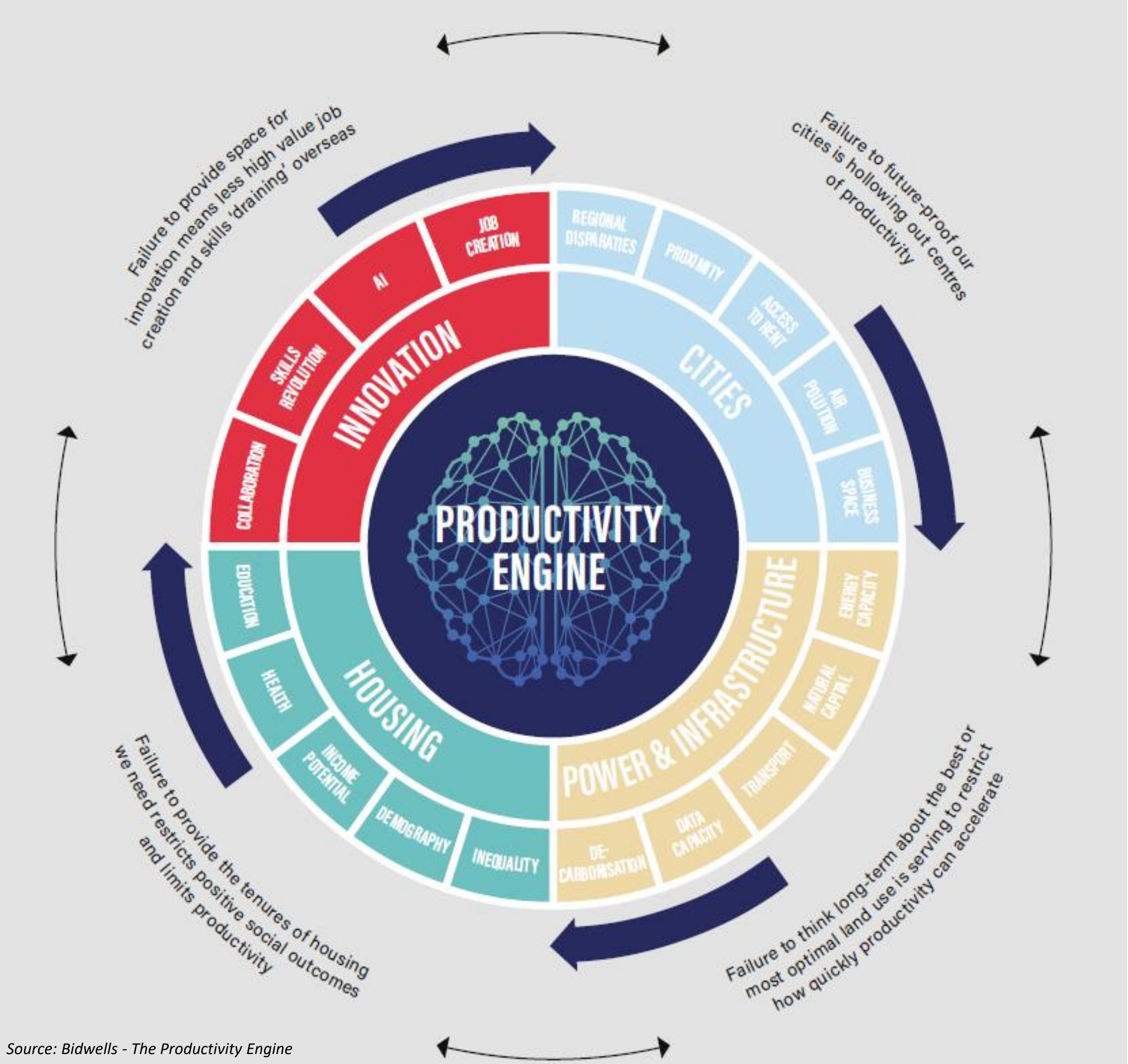
The Productivity Engine

This report from Bidwells addresses the **challenges in tackling the UK's productivity problem and the role that space and land usage has in doing this.**

Productivity is measured by dividing the output of goods and services by the number of hours which people have worked. **Productivity growth is the foundation of rising living standards and a thriving economy. Yet, like many advanced economies, the UK has experienced a troubling slowdown in productivity growth since the 2007-08 financial crisis.** The UK feels overworked and t is a simple recipe for the social and political upheaval of recent years.

To better understand the complex web of factors influencing productivity, Bidwells have developed a framework (see diagram below). At its core lie the four key types of space: **Housing, Cities, Innovation, and Power & Infrastructure.** These 'first-order effects' represent the primary drivers of productivity that we believe are often overlooked or underappreciated in the national discourse. Radiating outward from these core topics are the 'second-order effects'– the myriad factors that interact with and influence the primary drivers of productivity. These include critical elements such as **skills, AI, education, health, transport, and digital connectivity.**

Bidwells Productivity Engine framework:



Source: Bidwells - The Productivity Engine

The Productivity Engine

For cities to be competitive, and attract investment and business activity, they need a healthy, skilled, and productive workforce, plus a wider social infrastructure that supports health, education, and social mobility. Real estate both influences and is impacted by city success.

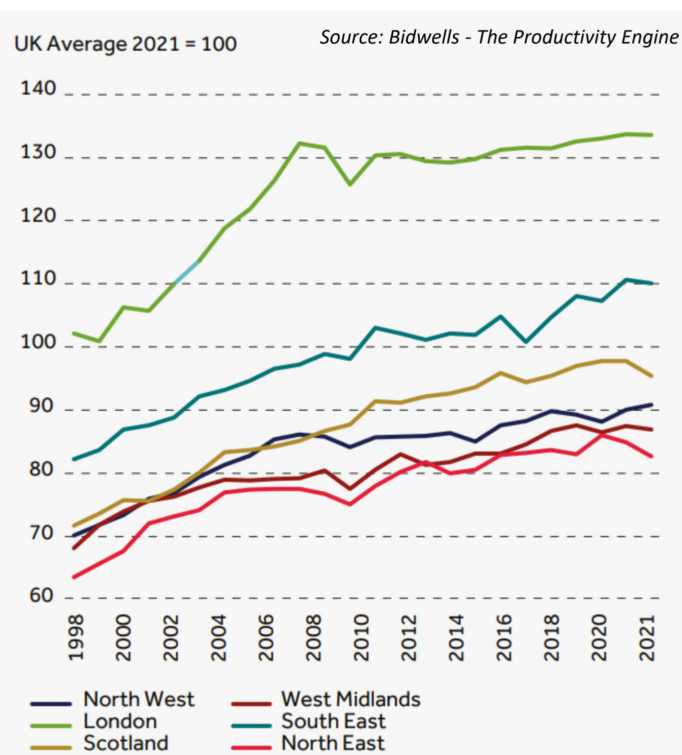
The Importance of Productivity

Productivity holds the key to higher living standards and over the long-term productivity determines how much employers can afford to pay their staff in real terms. Since 1971 UK productivity has grown by 1.7% p.a. and real wages have increased by 1.6% p.a. **Higher productivity also means that companies can increase profits without raising prices and in the public sector it means that government agencies can deliver better services without necessarily spending more.**

Productivity Slowdown

Growth in productivity has slowed sharply since the Global Financial Crisis (GFC) of 2007-2008. **Before the GFC, UK productivity grew by around 2% p.a., but since 2008 it has only grown by 0.5% p.a.** The slowdown in productivity growth since the GFC has been widespread across the UK economy. Major sectors including financial services, manufacturing, professional services, retail and utilities have all seen weaker productivity growth over the last 15 years than in the run up to the GFC. Similarly, **the slowdown in productivity growth has affected all regions. While there is a rough North-South divide in productivity in terms of levels, London has seen a similar flat line to the rest of the country since 2008.**

Productivity by region:



The report primarily focuses on four key areas: Housing, Cities, Innovation, and Power & Infrastructure.

Housing

Housing shortages mean that people must spend a disproportionate amount of their income on housing. The shortage also makes it more difficult for people on low incomes to move from one part of the country to another to find a job which matches their skills. **Without the right number of homes in the right location, a lack of labour means we are not powering the economy.** The report identifies three strategic reforms that are needed to address housing shortages. Firstly, the need for a strategic economic and housing targets that should be determined nationally. The report also suggests the need for a new network of larger authorities to receive national direction. Finally, it suggests the need for reform in local authority allocations, infrastructure funding, affordable housing and S106 contributions so there is a more clear and more express link between new developments and local communities. Housing shortages result in workers sacrificing job opportunities or settling for long commutes. **Creating affordable housing options within thriving urban centres promotes social mobility allowing people on lower incomes to live closer to job opportunities, potentially leading to career growth and a higher quality of life resulting in a more productive workforce.** By boosting labour mobility, businesses gain reliable access to the talent they need, and workers can find roles that best suit their skills and ambitions. Increased urban density also unlocks the “agglomeration effect” where businesses benefit from being close to suppliers, competitors, and a wider pool of skilled workers. **This proximity promotes innovation and the collaborative environment that drives productivity forward.** Furthermore, affordability pressures mean that high-potential, young professionals could be priced out of some of Britain’s most productive places.

Hybrid Working and Productivity

Results from a survey with YouGov suggest that the increase in hybrid working has probably had a negative impact on productivity, but the impact is small. **The majority of managers (53%) believe that employees’ productivity is broadly the same, whereas 29% of managers believe that the office is a more productive working environment. The balance in favour of the office is more pronounced among SMEs than large businesses** and apparent in most sectors. According to research undertaken by EBRD, non-commuting workers are reinvesting 38% of their saved commuting time in their jobs. This indicates that **companies are benefitting from more of their workers’ time, not less.**

The Productivity Engine

How and Where City Renters Live and Work

Young people (25-39 year olds) have changed in their rental behaviour since the beginning of the pandemic, most specifically how far they live from their workplace. **Young renters have shifted further away from their workplace. In 2018, the average distance from home to work was 4.7 miles, with 27% living within 2 miles. By 2023 the home-work distance was 6 miles, and only 23% lived within 2 miles.** With younger staff, who are more likely to be renters, there is a clear preference for hybrid working with 34% going into the office two to three days per week.

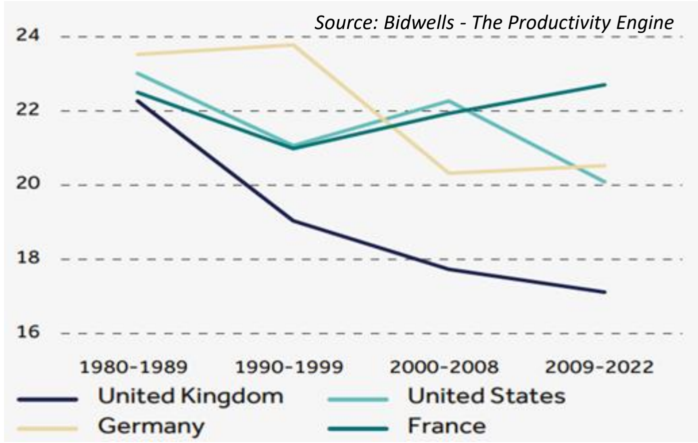
Innovation

Following a boom in funding during the pandemic period, we have seen investment levels slip away globally. While early stage funding has returned to levels not far short of the pre pandemic period, **later stage fundraising, which effectively makes the important step in the commercialisation of innovation, remains severely suppressed. This is the area where the UK has historically fallen short relative to competitor counties.** Nearly £6bn of Series C funds were raised in 2023 in the UK, a quarter of the amount in 2018/19 according to Beauhurst. This was just 27% of total investment in 2023, compared with 40% prior to the pandemic. In the tech sector, the UK has fared worse than many other ecosystems. According to Dealroom, late-stage funding fell 75% compared to the first half of 2022 — versus a 51% fall in the US, 58% in Asia and 64% in France. To achieve a material impact in the economic contribution of the UK's wall of innovative potential it will be necessary to see greater late stage funding, crucially combined with confidence in the UK as a place to scale businesses. Bidwells, with Censuswide, undertook a survey of SMEs operating across a range of scientific areas in the UK, ranging from life sciences, tech, sustainability, automotive and agri-tech. Over three quarters of these companies were university spinouts. The study finds the availability of capital as the greatest barrier for companies overall, closely followed by their access to talent. However, funding is markedly more of an issue for the smallest companies and those mid sized, between 50-99 employees.

Barriers to Investment

The barriers to investment outlined in the report are: the expensive and unpredictable nature of the UK planning system, housing shortages, lack of finance for SMEs, inadequate skills training and frequent changes in government policy. By removing barriers, providing targeted support, and investing in the infrastructure necessary for success, we can unlock the untapped potential of our regions and drive improved productivity across the UK.

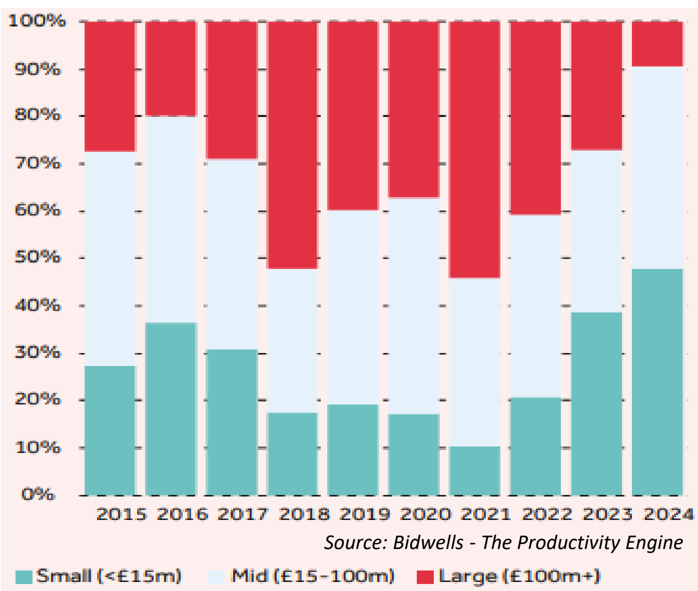
Investment as percent of GDP:



Unlocking regional innovation hubs

Thriving innovation ecosystems require vibrant mixed-use developments that incorporate housing, amenities, and cultural spaces alongside workplaces. **The property sector must evolve from passive providers of buildings to active catalysts for innovation**. Jaguar Land Rover's £15 billion investment in upgrading its industrial footprint, vehicle programs, and technologies in the UK exemplifies the potential for real estate to drive innovation. Its planned 323,000 square feet innovation hub in the **West Midlands**, part of their Open Innovation strategy, demonstrates how strategic real estate investments can accelerate innovation. By partnering with startups and scale-ups working on technologies related to electrification, sustainability, and manufacturing, Jaguar Land Rover is driving its transformation and creating 320 regional jobs. **There still appears to be a North-South divide in venture capital with smaller, high growth businesses in the Midlands and the North attracting less capital than equivalent businesses in London and the South East.**

Breakdown of funding by scale:



Medical Innovation and Economic Growth

There is a link between a healthy workforce and greater national prosperity. **A population that has fewer patients living with long-term chronic conditions and a higher average life expectancy will be more productive and experience better economic growth.** In the UK alone, the life sciences sector is responsible for over £43bn in GVA annually, with almost half of that coming from pharmaceutical manufacturing (£19.2bn). However, despite the UK operating a single-payer health system, there is variation seen across the country when it comes to the adoption of the latest medical innovations. One of the key reasons for this is the relatively low levels of investment the UK makes in medicines as a percentage of its healthcare budget.

Technology and Productivity

The boundaries between tech and life science are becoming increasingly blurred. One example would be in the field of drug discovery where **tech, AI, quantum, and robotics are all having a profound effect in improving success rates and shortening timescales in what is a notoriously laborious and lengthy process.** The tech giants have not been slow to realise the probable scale of the opportunity that quantum will present. Anything that relies on complex calculations stands to be revolutionised be it pharma, genetics, finance, or logistics. Lastly, **if the UK can advance and maintain its reputation as a global leader in quantum together with science, tech and innovation generally then it will continue to attract the investment, talent and partnerships that drive productivity gains.**

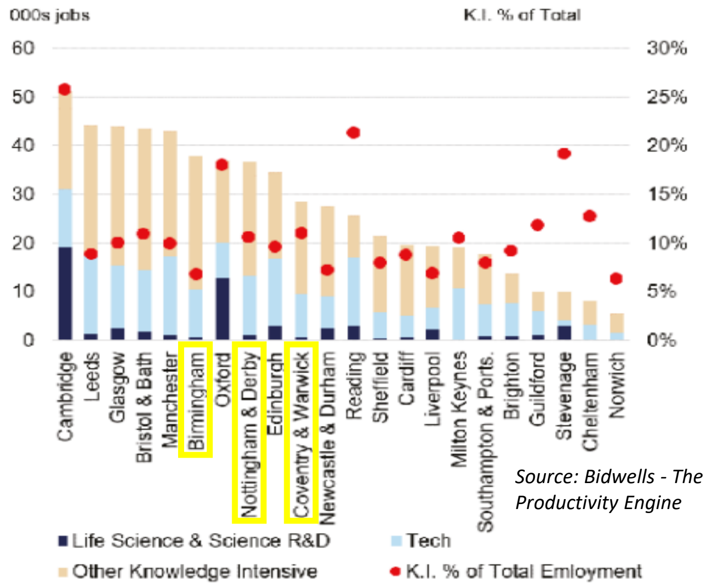
Innovating in Construction

Construction output per hour worked is lower than in manufacturing, financial and business services, and utilities. **International studies suggest that it takes longer and, correspondingly, costs more to build in the UK than in other European countries.** Low productivity limits the wages which construction workers can earn and it makes it more difficult to attract people into the industry. **Poor productivity in construction also has negative implications for the wider economy in terms of making each pound of investment go as far as possible and for the environment.** The report suggests multiple initiatives to help address low productivity in construction, these include: Pre-Construction Services Agreements, Diversity, Fairer Contracts, Modern Methods of Construction and Training.

The impact of knowledge-intensive industry growth

The transformation of the UK economy will depend on delivering greater power capacity across the UK, but particularly in areas with the potential for growth in sectors such as life sciences, quantum and AI.

Knowledge-intensive industry jobs:



Source: Bidwells - The Productivity Engine

Power and Infrastructure

Many of the UK's advantages are slowed and hindered because of power capacity challenges and the time it takes to connect to the grid. On the supply side, the renewable energy sector is experiencing similar delays in its ability to feed the UK's rapidly expanding demand for power. These challenges must be overcome to transform the UK's economy. **Energy is tightly linked to economic development and contributes to increased productivity in several ways.** Firstly, electricity serves as a key factor of production for firms which have low substitutability with other factors of production. Housing supply relies on adequate power capacity in the locations allocated for growth. Energy is necessary for delivering public services, crucial to productivity and economic growth. Finally, power consumption may improve household well-being and create efficiency gains, such as time savings, communication, new and developed skills, and education. Many of the technologies and sectors that have the potential to transform the UK's economic productivity are associated with significant power demands.

Infrastructure Barriers to Renewable Energy

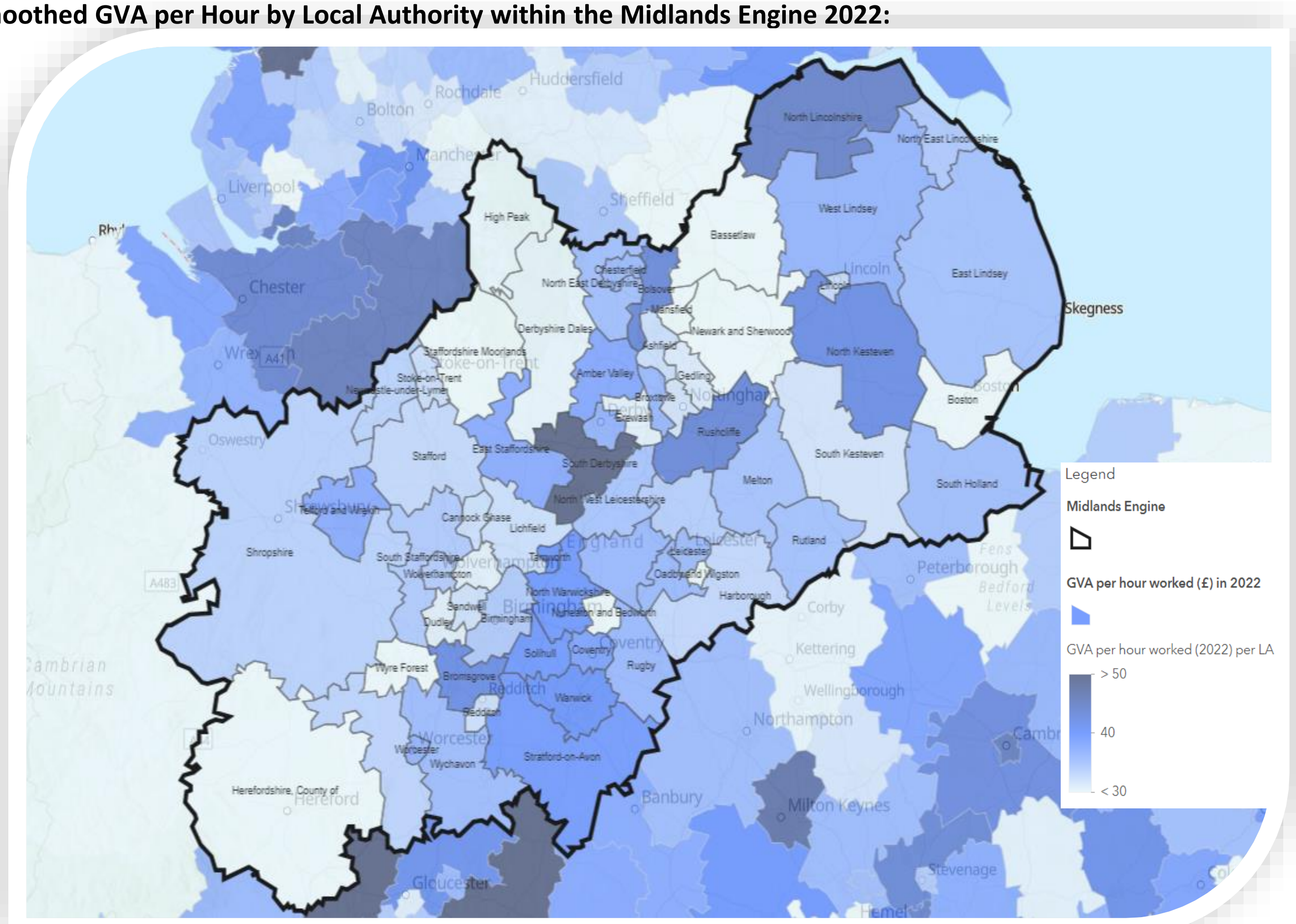
Low carbon, low cost and a secure supply of electricity is central to a sustainable and productive economy. One of the primary challenges facing the transition to renewable energy is the existing infrastructure. T**he current grid was designed to accommodate a small number of large fossil fuel generators. These power stations were broadly free to locate where they liked – subject to access to coal, gas and planning – ideally close to demand.** Also, the regulatory framework governing grid build out and development has not kept pace with this changing landscape. There has been increasing misalignment between infrastructure design and future energy need and this is posing a significant barrier to progress.

Midlands Engine Productivity

GVA per Hour Worked Key Points:

- In 2022, **unsmoothed GVA per hour for the overall Midlands Engine area was £35.45**. Since 2021, the Midlands Engine area increased by 3.3% (+£1.14), the UK increased by 5.7% (+£2.20). When compared to 2019, GVA per hour in the Midlands Engine area increased by 12.3% (+£3.89) while the UK increased by 13.6% (+£4.90). **In 2022, UK unsmoothed GVA per hour was £41.00 meaning the Midlands Engine area had a shortfall of £5.55.**
- Across all local authorities (361), GVA per hour is only available on a smoothed basis. The UK smoothed GVA per hour was £39.70 in 2022. Within the Midlands Engine area, 8 local authorities were above and a further two the same as the UK figure with South Derbyshire the highest at £54.50.
- Since 2021, UK smoothed GVA per hour increased by 1.5%. Within the Midlands Engine area, 52 local authorities increased with the highest being North Lincolnshire (+5.9% or +£2.50 to £44.60). Melton remained at £35.00 and 12 local authorities decreased with the largest fall in South Derbyshire (-4.0% or £2.30).
- When compared to 2019, UK smoothed GVA per hour increased by 8.5%. Within the Midlands Engine area, 58 local authorities increased with the highest value increased was North Lincolnshire (+£8.70, second highest percentage increase +24.2%) and highest percentage increase in Tamworth (+24.5%, second highest value increase +£7.90). Two local authorities were at the same level (Melton and Malvern Hills with the latter at £33.40).
- In 2022, smoothed GVA per hour for the West Midlands region was £34.60. Since 2021, the West Midlands region increased by 1.5% (+£0.50) and when compared to 2019, GVA per hour increased by 7.8% (+£2.50). In 2022, smoothed GVA per hour for the East Midlands region was £34.30. Since 2021, the East Midlands region increased by 1.2% (+£0.40) and when compared to 2019, GVA per hour increased by 8.2% (+£2.60).

Smoothed GVA per Hour by Local Authority within the Midlands Engine 2022:



Source: Office for National Statistics, [Regional and subregional labour productivity, UK: 2022](), released June 2024.
Notes: 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. All other analysis is based on smoothed data (using a weighted 5-year moving average). All data is based on current prices.

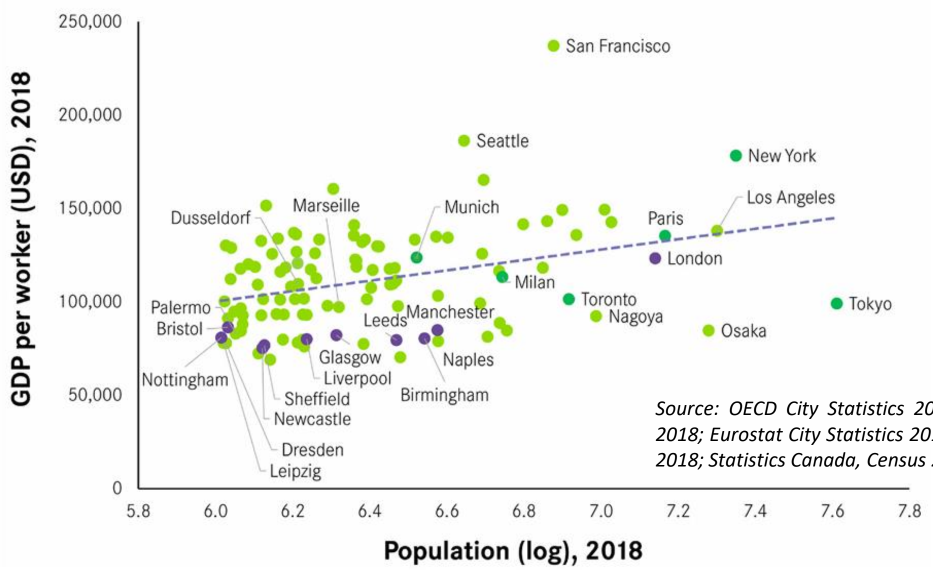
Big Cities in the UK and the G7

Centre for Cities have recently released [Climbing the Summit – Big cities in the UK and the G7]() which reports there are two problems with commentary on the UK economy in the international context. The report assesses the scale of the benefits large UK cities offer to businesses compared to their G7 peers to better understand this underperformance. It looks at each city's 'hardware' – its built environment and transport system – its 'software' – the skills of its residents – and its 'operator' – how institutions affect local economic policy and then provides recommendations.

The Two Problems with Commentary on the UK Economy in the International Context:

- Looking at short-term changes only misses a much bigger and more worrying picture – that there is a large prosperity gap between the UK and the leading economies of the G7. The average worker in France, Germany and the US produces 14 per cent, 13 per cent and 22 per cent more per hour respectively than the average UK worker. **This productivity underperformance ultimately results in lower living standards and a greater tax burden in the UK than in these peer countries.**
- The second is a problem because it misses a large part of the explanation as to why this prosperity gap exists. And that is because **some of the largest cities in the UK outside the capital, such as Birmingham, Manchester, and Glasgow, do not make the contribution to the UK economy that their peer cities such as Los Angeles, Lyon, and Frankfurt make to their national economies.**

Productivity and population size:



Source: OECD City Statistics 2018; ONS BRES 2018; NISRA Labour Market Report 2018; Eurostat City Statistics 2018; US Cen sus Bureau, American Community Survey 2018; Statistics Canada, Census 2021; Japan Economic Census Table 9-1B, 2021.

UK is marked in how all cities sit below the trendline – they underperform individually and as a group. **Of the bottom 20 large cities for productivity in the G7, seven are British.**

Productivity and manufacturing insight:

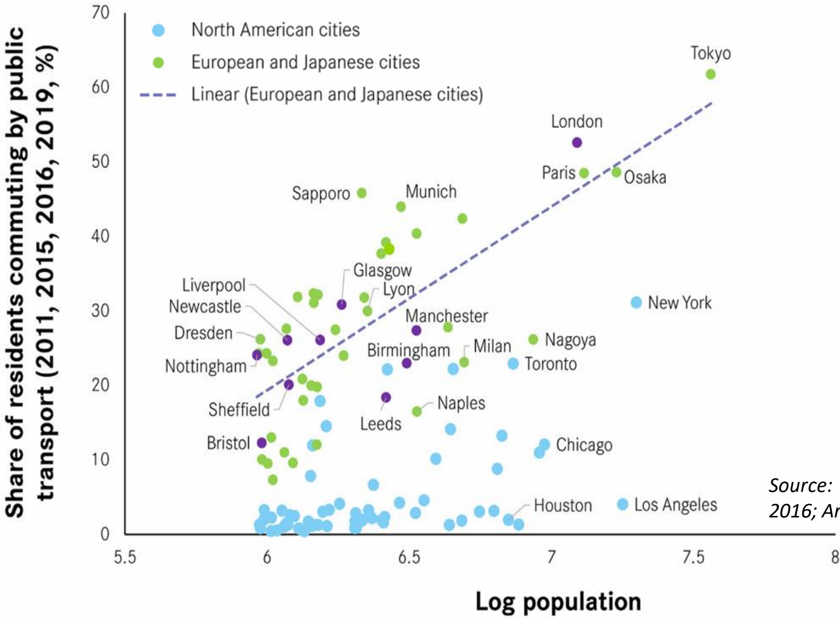
Source: OECD City Statistics 2018; ONS BRES 2018; Eurostat City Statistics 2018; US Census Bureau, American Community Survey 2018; Statistics Canada, Census 2021; Japan Economic Census Table 9-1B, 2021.

Note: Estimates for French, Italian, and German cities are constructed by subtracting the national share of mining and utilities jobs from the estimates for manufacturing, mining and utilities jobs in each city.

The report suggests **there is no relationship between productivity and manufacturing in big cities at either the G7 level or across the UK. London has the lowest share of manufacturing of any city in the G7, while cities in the UK that are performing poorly – such as Birmingham, Leeds, and Sheffield – already have a greater share of jobs in manufacturing than cities as varied as Munich, Seattle, and Marseille. Of all the cities in the G7,** those with the greatest concentration of jobs in manufacturing are low productivity cities in Japan.

Big Cities in the UK and the G7

Relationship between commuting by public transport and population size:



The chart to the left plots city size against the share of commuters using public transport. **In Europe public transport commuting increases with city size. In the USA this is not the case** – their car oriented cities mean that the car is still a primary choice irrespective of size. Birmingham, Manchester and Leeds in particular do not have the public transport usage their size would suggest because of their lower-density urban form.

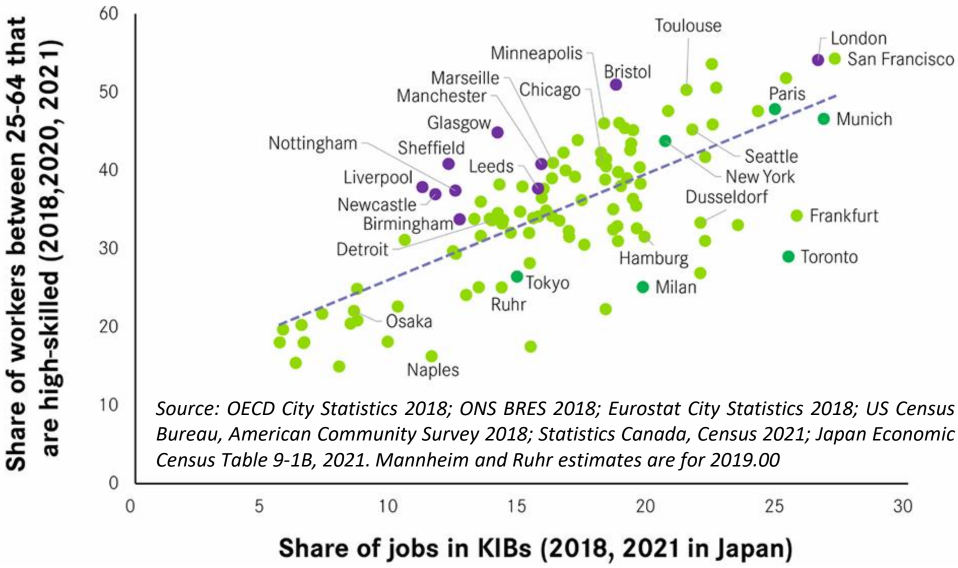
Source: UK Census 2011; Eurostat 2011 and 2016; Canadian Census 2016; American Community Survey 2019; Japan Census 2020

KIBS jobs ad High-Skilled Workers

KIBS is defined as Info and Comms; Non-Real Estate Finance; and Professional Services. Italian and German estimates are constructed in part by subtracting the national share of administrative services from each FUA's share of business services.

London has the joint-highest share of high skilled workers in the G7, along with San Francisco and Boston, two other cities that are also strong on KIBS. Likewise, the cities with fewer high-skilled workers have fewer KIBS jobs.

Relationship between KIBS jobs ad high-skilled workers:



Source: OECD City Statistics 2018; ONS BRES 2018; Eurostat City Statistics 2018; US Census Bureau, American Community Survey 2018; Statistics Canada, Census 2021; Japan Economic Census Table 9-1B, 2021. Mannheim and Ruhr estimates are for 2019.00

The report finds that it is a combination of a mixed picture on skills and underperforming transport networks – underpinned by relatively low-density built environments that make public transport more difficult to sustain – shrink the size of the skilled labour pool, making them in reality smaller cities than they appear to be on paper. They have a planning system that is out of kilter with other G7 countries that makes it difficult to change their urban form. And the UK's exceptionally centralised state means that these cities do not have the freedoms that other G7 cities have to make the investment required to address their challenges.

Centre for Cities Recommendations:

- **Planning reform**, moving the UK away from its uniquely discretionary system and the uncertainty this creates towards a rules-based one that is more common in other G7 countries.
- **Deeper devolution** to bring large UK cities more in line with their G7 comparators: more control over spending, the ability to raise their own taxes and for all to have transport powers akin to what London has with Transport for London.
- **A UK version of the US CHIPS Act designed to boost cutting edge activities in the UK's largest cities**, spending £15.9 billion over 10 years in Birmingham, Glasgow, Manchester and Leeds to encourage innovation through their leading universities, invest in their city centres and create or extend their transport funding. Much of this funding has already been earmarked by the last government but has not been spent.

Levelling Up

The National Institute of Economic Research and Social Research (NIESR) have released a paper relating to Levelling Up. The briefing focuses on the levelling up process since the last election (December 2019) and policy recommendations to bring about sustained regional regeneration across the country.

Key Points:

- **Levelling Up is about reducing regional inequalities** as reflected in differences in pay, productivity, living standards and well-being.
- At the heart of the 12 Levelling Up missions set out in the 2022 White Paper is the important ambition to **narrow the economic and social gap between the regions** of the United Kingdom by 2030.
- Given the scale of the task and the impact of shocks such as Covid-19, **progress was always going to be slow,** though regions such as the North West have experienced higher pay, a larger proportion of people in skilled employment and more public investment.
- Notwithstanding the lack of available data, the combination of insufficient central government resources and the slow disbursement of relatively small pots of money has meant that **there are few signs of Levelling Up.**
- Disparities in living standards and productivity have either remained unchanged or widened. The gap in living standards between the London and the South East and the North East has grown, and productivity differences between the London and the South East and the West Midlands have also increased.

Overview of the worst five performing local authorities for the four measures and their successful bids (Levelling up Fund Round 1-3):

Measure	Bottom five local authorities			Total Amount (£, millions)	Names of Successful Bids (Value of bid)
Proportion of 16 and over with NVQ Level 3+ Qualifications (per Cent)	Boston	33.3	East Midlands	14.9	The Rosegarth Square Masterplan (£14.9 million)
	Great Yarmouth	34.2	East of England	20	Great Yarmouth Riverside Gateway (£20 million)
	Tendring	34.7	East of England	19.9	Clacton Civic Quarter (£19.9m)
	Fenland	35.2	East of England		
	Castle Point	35.5	East of England		
Healthy Life Expectancy (Years)	Blackpool	53.89	North West	55.2	Multiversity (£40m); Blackpool Town Centre Access Scheme (TCAS) - regeneration focused transport investment (15.2 m)
	Stoke-on-Trent	55.535	West Midlands	56	The Goods Yard, Station Masterplan (£16m); The Town Centres Heritage (£20m); City Centre Regeneration Area (£20m);
	North Ayrshire	55.73	Scotland	61.2	Levelling Up For Ayrshire: Commercial and Low Carbon Infrastructure (£37.5m); Infrastructure Improvements on B714 (Transport Infrastructure Improvement Project) (£23.7m)
	Kingston upon Hull, City of	55.88	Yorkshire and Humber	19.5	MatrixAlbionCitycentre (£19.5 m)
	North Lanarkshire	56.025	Scotland	9.2	Delivering on Cumbernauld's Town Vision (£9.2m)
Median Pay (£, monthly)	Torridge	1944.5	South West	15.6	Appledore Clean Maritime Innovation Centre (£15.6 m)
	Isles of Scilly	1948	South West	48.4	Scilly Sea Links (£48.4 million)
	East Lindsey	1948	East Midlands	8	Lincolnshire Wolds Culture and Heritage Programme (£8m)
	Leicester	1960.5	East Midlands	57.6	Connecting St Margaret's (£12.2m);Pilot House, Leicester (Heritage Buildings Refurbishment) (£8.6m); Pioneer Park Workspace; Ian Marlow Centre Redevelopment; Abbey Court Redevelopment (£19.4 m); Leicester Station Gateway (£17.6 m)
	North Norfolk	1979.5	East		
GVA per hour worked (£, current prices)	Wyre Forest	23.8	North West	17.9	Kidderminster Town Hall, Piano Building and Towpath (Regeneration),£17.9m
	Powys	24	Wales	40.1	Promoting recreational tourism in Powys through transport investment (£17.7m);Montgomery Canal Restoration(£15.5m);Brecon & Radnorshire Strategic Town Centre Investment (£6.9m);
	West Devon	24.3	South West	13.5	West Devon Transport Hub (£13.5m)
	Torridge	24.4	South West	15.6	Appledore Clean Maritime Innovation Centre (£15.6 m)
	Torbay	25.5	South West	20	Brixham Fish and Hi Tech Chips (£20 m)

Source: DLUHC (2021), DLUHC (2023a), DLUHC (2023b) data

- Our projections of living standards and productivity suggest that unless some fundamental change occurs, there will no substantial progress by 2030.
- **To reduce regional inequalities will require much higher levels of public investment of at least 4-5 per cent of GDP per year;** the next government must speed up the disbursement of Levelling Up funds according to clear economic and social criteria.
- **There is also a need for institutional reform at the level of central government, combined with greater decentralisation of both decision-making powers and resources in policy areas such as skills, transport, infrastructure and housing.**

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MIDLANDS ENGINE
OBSERVATORY

THE PAN-REGIONAL PARTNERSHIP FOR THE MIDLANDS
The Midlands Engine connects, champions and amplifies the work of its partners.