

Executive summary | July 2024



MIDLANDS
ENGINE

OBSERVATORY

Regional Economic
Impact Monitor

Welcome to the 50th edition of the Regional Economic Impact Monitor. As this month welcomes a new government, let's look back over the past few years of economic monitors in the Midlands Engine. The Monitor began in March 2020 on a bi-weekly basis, covering the immediate impacts on businesses, households and the economy as the Covid-19 pandemic took hold.

The monitor reported on furloughed employees, government loans to businesses as well as administrations and closures; deep dives into the impact of Covid-19 on sectors and skills, before moving onto the Levelling Up agenda, which became a common theme throughout past monitors.

The new Labour Government is taking over the economy at a turning point, benefiting from the natural swings of the economic cycle as the worst of the current crisis is behind us.

One of the new government's top priorities is to kickstart economic growth with an aspirational goal of achieving the 'highest sustained growth in the G7'.

- ▲ The UK has had a strong start to the year and [ONS data](#) showing 0.9% growth in GDP in the three months to May is better than expected.
- ▲ Further evidence that the economic shocks of the last five years are winding down as businesses get back onto a growth footing is business confidence, which has remained positive for 9 months in the West Midlands and since the turn of the year in the East Midlands.
- ▲ Midlands firms are planning huge [investments](#) over the coming years, despite reports that [access to finance](#) remains difficult.

- ▼ The manufacturing sector in particular faces challenges, as recent [MakeUK](#) data reveals the West Midlands remains the only region in the UK that is yet to recover its prepandemic level of output, and the East Midlands has fared worse in the balance for output and poor results for investment intentions and employment.
- ▲ While pay growth remaining strong owing to the difficulties employers face when hiring provides some short-term relief to consumers, there are tentative signs of pay growth easing as the labour market continues to cool and expectations for inflation are falling.
- ▼ The latest jobs data highlights significant challenges for the new government. In the Midlands Engine, employment is below national averages, and economic inactivity remains elevated, with unemployment rising to 4.2%, above levels seen nationally. There is now over 396,000 people out of work compared to last year due to long-term ill health. Data also shows a softening in labour demand with vacancies falling by 24% over the last 6 months.

CBI reports by ensuring a more joined-up approach to tackling economic inactivity that is more locally responsive and which builds-in efforts to tackle long-term ill-health can help unlock the untapped potential within the labour market.

Delivering this programme of reform will require [close partnership](#) between government and business to enable the meaningful change we all want to see. The recently announced [Skills England](#) plans to develop a nationwide skills strategy and future-proof the workforce.

- ▼ This is relevant as this report from the [Learning and Work Institute \(L&W\)](#) highlights that 6% of adults change career every year, and barriers to career changes are primarily financial, with an individual facing lower earnings in the short term, earnings foregone in order to retrain, plus the cost of retraining.

More broadly this month covers a series of work on the green transition:

- ▼ In 2022, the Midlands Engine area produced a total of 56,956 Kt carbon dioxide (CO₂e) emissions, a decrease of 6.2% since last year. Since 2005, the Midlands Engine area decreased by 38.6% while the UK decreased by 43.4%.
- ▼ [The Centre For Progressive Policy](#) explores the extent to which different areas are ready to capitalise on the economic opportunities of the green transition, based on the current skills profile of their workforces and find that workers who could most easily be retrained into green jobs are spread unequally across the country. At the regional level, many parts of the Midlands show less potential for developing workers to work in all green occupations.

All of this shows the scale of challenge to ramp up activities, skills, sectors and technologies for net zero by 2050.

While this monitor follows up on previous reports around investment levels across the UK and the Midlands:

- ▼ The UK remains second in EY's annual ranking of European countries by their ability to attract FDI projects – performance across the Midlands was mixed, as the West Midlands, now ranked 3rd highest in terms of total FDI projects while the East Midlands ranked 3rd lowest across all UK regions in terms of total projects.
- ▼ However, the Midlands recorded poor results in terms of planning new or expanding operations in the next 12 months with 5% of responses planning projects in the West Midlands and only 3% in the East Midlands.
- ▼ Meanwhile, PwC has launched the [Framework for Growth](#) to better understand how different interventions can impact the UK's sectors and regions and set the right foundation for a renewed, long-term industrial strategy



View the full monitor at midlandsendengine-observatory/resource-library