

MONTHLY IMPACT MONITOR

EXECUTIVE SUMMARY - FEBRUARY 2024

The February edition of the Midlands Engine Regional Economic Impact Monitor is published at a time of important economic measurements and announcements in the UK

- ▲ **Consumer price inflation** is unchanged at 4.0% and is forecast to fall throughout the rest of the first half of 2024 as energy prices continue to decrease. However, [ONS](#) data confirms that the UK was in a recession in the second half of last year and [forecasts](#) predict GDP growth will remain sluggish in the short term. These are mixed signs for the regional and national economy, particularly related to the cost-of-living, cost-of-doing business and confidence in spending.

Despite recession fears, business optimism nationally remains high and is increasing, not only around revenue growth, but across the board.

- ▲ The **West Midlands Business Activity Index increased from 51.5 in December 2023 to 53.1 in January 2024**, the fastest increase since May 2023. Growth was linked to rising intakes of new orders and demand resilience.
- ▲ The **East Midlands Business Activity Index increased from 50.7 in December 2023 to 51.6 in January 2024**, the fastest rise in output since May 2022.



While locally, the Midlands economic growth prospects are dampened by poor performance:

- ▼ There were **274,555 claimants aged 16 years** and over in the Midlands Engine area in January 2024, an increase of 5,095 claimants (+1.9%, UK +1.7%) since the previous month.
- ▼ There were 52,240 claimants aged 16-24 years old in the Midlands Engine area in January 2024 – an increase of 650 youth claimants since December 2023. This equated to an increase of 1.2%, with the UK increasing by 1.0%.
- ▼ Recent trends of decreasing business deaths have been reversed according to latest data from the ONS. Business deaths were at 49,965 for 2023, an increase of 18.8% on the latest quarter, with the latest figures still elevated compared to 2017 levels.
- ▼ **Business births were at an all-time low of 42,085** in the Midlands Engine in 2023. For both 2022 and 2023 the number of business deaths were above the number of business births in the Midlands Engine. This is echoed by [research](#) which reveals there is a worrying trend of falling start-up rates in the UK over time.



This edition of the monitor explores issues surrounding the foundations of a good business environment:

- ▲ A report by [Resolution Foundation](#) assesses how the UK exposure to international trade has changed over the past two decades. As the UK has become increasingly open, Britons now consume much more imported goods and services. Total trade has increased from 53% of GDP in 2000 to 65% in 2023.
- ▲ This is explored further in the [State of Small Business Britain](#) report which reveals international trade has become increasingly challenging following Brexit and the Covid-19 pandemic, with nearly one quarter of small firms viewing Brexit as a major business obstacle between 2018 and 2021.
- ▲ [The Institute for the Future of Work](#) highlights the changing trends in the UK's labour market and how the adoption of new technology is transforming the workplace. The biggest changes observed in skills are in the technology sector, while across the board, 35% of vacancies in 2022 included at least one IT skill.
- ▲ Research from [Sage](#) on the challenges facing SMEs in adopting new technology found that one in five businesses cited poor infrastructure as a contributing factor. Unlocking the full benefits of technology within these firms could add an extra £232bn a year to the economic contribution of SMEs. The lack of infrastructure means that over 350,000 businesses, employing 3.8m people and with a combined turnover of £666bn a year lack access to the right buildings and facilities for their businesses.
- ▲ New research pieces presented in this months monitor include the Food white paper which highlights the pivotal importance of the Midlands within the UK food system, as more than half of larger food and drink manufacturing companies (£100m+ turnover) and a fifth of agri-tech businesses in the UK are based in the Midlands.



A country characterised by low growth and entrenched inequality means that increasing prosperity in an equitable manner is a key challenge facing policymakers across the nation in upcoming years. This monitor covers a series of different work on inclusive growth across the UK:

- ▼ A report from [HESA](#) identifies 13 areas in the Midlands Engine which have; low productivity, the smallest proportion of residents with Level 4 qualifications or above, a relatively low stock of skilled workers, a net outflow of graduates and low school attainment.
- ▲ [Joseph Rowntree Foundation research](#) reveals **30.4% of all individuals in the UK were living in households with incomes below Minimum Income Standards** and cannot afford the goods and services the public agree people need to meet their material needs and to participate in society.
- ▲ [Centre for Cities](#) report into charitable giving suggests there is **unmet need in the Midlands**, with room for people to donate more to local causes