

MONTHLY IMPACT MONITOR

EXECUTIVE SUMMARY - MARCH 2024



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

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

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



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

- ▼ However, the OBR is clear that the economy still faces significant structural challenges and emphasise that the postpandemic rise in economic inactivity is likely to prove more persistent than previously thought. A softer labour market, skills shortages, and increasing claimants and their ongoing impact to the Midlands cannot be underestimated. Economic inactivity is likely to be constraining employment growth and thus the economic prosperity of the region:
- ▼ There were 282,160 claimants aged 16 years and over in the Midlands Engine area in February 2024, an increase of 10,660 claimants (+3.9%, UK +4.0%) since the previous month.
- ▼ There were 54,690 claimants aged 16-24 years old in the Midlands Engine area in February 2024 – an increase of 1,800 youth claimants since January 2024.
- ▲ Hiring activity in the Midlands declined further during February. Despite employer demand narrowing, those seeking work (wanting a job) currently remains heightened. This is also reflected in falling job postings.



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

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

While the monitor also presents some positive news:

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

As March welcomed International Women's Day, we explore how some barriers make it less likely that women will attempt to start a business, such as pervasive gender stereotypes and a lack of representation of female entrepreneurs and role models. The Gender index 2024 reveals the regions success in female led enterprises as the West Midlands has the highest percentage of female-led companies across the UK at 20.8%, while the East Midlands ranks 3rd at 20.1%.

- ▲ Furthermore, women make up 57% of undergraduates and are more likely to earn a first or 2:1 degree.
- ▲ Despite all this, the gender pay gap is currently reported at 14.4% economy-wide, and 11.9% within higher education. Staffordshire University is the only Midlands university without a gender pay gap.
- ▲ More broadly, this month covers a series of different work on inclusive growth across the UK and we introduce a report measuring the economic contribution of the region's aerospace cluster and explored the distribution of R&D funding across its supply chains.

