MIDLANDS ENGINE OBSERVATORY

MIDLANDS ENGINE

REGIONAL ECONOMIC IMPACT MONITOR

EDITION 43: NOVEMBER 2023

Executive Summary

This publication, the final Midlands Engine Regional Economic Impact Monitor of 2023, covers a wide range of topics relevant to **opportunities and challenges in the Midlands**, while **assessing the impact of recent decisions and trends on the region.**

November was an important month for government announcements in the UK, with the Chancellor delivering his Autumn Statement and several other initiatives launched. Beyond the widely reported changes to tax, **prominent investments were made in the Midlands in and beyond the Statement, for example:**

- The confirmation of **Investment Zones in the East Midlands and West Midlands.**
- The announcement of a **level 3 Mayoral devolution deal between government and Greater Lincolnshire.**
- **11 successful bids totalling over £187m in the Midlands** from the latest tranche of the Levelling Up Fund.

This investment in the region is obviously welcomed, and in general the Midlands business base has **broadly welcomed the Autumn Statement,** especially action related to full expensing, business rates and late payment as well as strategies and funding for sectors such as manufacturing. It is hoped that these measures will contribute to **growing business confidence and activity, currently demonstrating mixed results in different barometers:**

- Positively, the **West Midlands Business Activity Index increased from 49.3 in September 2023 to 50.7 in October 2023 – returning to growth** – while the East Midlands figure also increased (from 46.8 to 47.5). While the **West Midlands and East Midlands business confidence are both above the national average according to the ICAEW.**
- However, the latest Business Confidence Barometer from Lloyds Bank suggests both the East Midlands and West Midlands business **confidence dropped in November and are the lowest and fourth lowest levels of all UK regions**, reflecting the mixed picture across different surveys.

Overall, regional business confidence and business activity **appear to be growing on the back of falling inflation and relative stability in recent month**. This is reflected in positive signals in some regional sectors, such as automotive and logistics / transport. But **forecasts of sluggish growth nationally and regionally remain a concern,** as do the state of other sectors such as retail and hospitality.

In addition, newly released data on business demography for 2022 highlights the challenging economic environment of recent years, with the **total number of active business in the Midlands Engine area decreasing between 2021 and 2022 (-0.7%),** similar to the national rate (-0.5%). **Business births in the region also decreased during this period, by more than 10%, and business deaths increased – putting them above the level of births for the first time**. The Midlands also continues to lag behind the national average for business survival over both the short and long-term, and while the number of high growth companies did increase slightly in 2022, findings from the Scaleup Institute suggest **most Midlands areas are falling behind other regions when it comes to the growth of scaleup / high growth company density.**

As for the labour market and skills, this month's monitor shares findings related to three key recent publications:

- **The Work Foundation's City Region Employment Profiles,** including finding that the prevalence of insecure work in the Midlands' Combined Authority areas is higher than the national average and impacting certain groups more.
- **Institute for Fiscal Studies work on "The Changing Geography of Jobs",** highlighting the effect of long-term decline of manufacturing jobs across the Midlands, and its wider impact on regional inequalities in the UK.
- **Pearson's Skills Outlook reports at the regional level,** predicting key "expanding" and "declining" industries across the Midlands, and exposure to key shifts such as automation and technology.

These features are in addition to the standard update of labour market and skills data provided, showing a **relatively unchanged labour market in the region this month**, claimants increasing again slightly, and a mixed picture in vacancy data: while vacancies are declining, they remain higher than pre-pandemic levels, signalling a potential return to normal labour market functioning. While the latest KPMG and REC Report on Jobs survey found the **Midlands to be the only English region to record a rise in permanent staff appointments, contrasting with the strong downturn seen at the UK level,** while temporary billings growth also outpaced that seen at the national level.

Underpinning all the of the above are **wider macroeconomic considerations that the Midlands Engine partnership can help to try and influence** for the good of the Midlands economy and its communities. The focus here includes:

- **Megatrends**: recently published work commissioned by Midlands Engine highlights four megatrends that the region should understand and act on: technology and digitisation, climate change, geopolitics and demographics.
- **Productivity:** Understanding - as part of National Productivity Week – current productivity underperformance of the Midlands and its localities compared to national, and what could be done across places, sectors and in firms. Innovation and investment will be two key ingredients, relevant to recent brochures shared in this publication too.

1. Economic Outlook

Global and National Outlook

Global

Geopolitics

- A U.N. report published at the start of November, paints a stark picture of the collapse of the Palestinian economy after a month of war and Israel's near total siege of Gaza. The **gross domestic product shrank 4% in the West Bank and Gaza in the war's first month, sending more than 400,000 people into poverty**, an economic impact unseen in the conflicts in Syria and Ukraine, or any previous Israel-Hamas war, the U.N. reported.
- International mediators on Wednesday 29th November, worked to extend the truce in Gaza, encouraging Hamas militants to keep freeing hostages in exchange for the release of Palestinian prisoners and further relief from Israel's air and ground offensive. The cease-fire will otherwise end within a day. Israel has welcomed the release of dozens of hostages in recent days and says it will maintain the truce if Hamas keeps freeing captives. Still, Prime Minister Benjamin Netanyahu underscored on Wednesday 29th November that Israel will resume its campaign to eliminate Hamas, which has ruled Gaza for 16 years and orchestrated the deadly attack on Israel that triggered the war.

OCED Economic Outlook, November 2023

- Global growth is projected to be 2.9% in 2023, and weaken to 2.7% in 2024. **As inflation abates further and real incomes strengthen, the world economy is projected to grow by 3.8% in 2025.** Global growth remains highly dependent on fast-growing Asian economies.
- In the absence of further large shocks to food and energy prices, projected headline inflation is expected to return to levels consistent with central bank targets in most major economies by the end of 2025. **Annual OECD headline inflation is expected to fall gradually to 5.2% and 3.8% in 2024 and 2025 respectively, from 7.0% in 2023.**

National

Latest ONS UK Consumer price inflation key findings:

- The **Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.7% in the 12 months to October 2023,** down from 6.3% in the 12 months to September 2023.
- On a **monthly basis CPIH rose by 0.1%** in October 2023, compared with a rise of 1.6% in October 2022.
- The **Consumer Prices Index (CPI) rose by 4.6% in the 12 months to October 2023**, down from 6.7% in the 12 months to September 2023.
- On a **monthly basis, CPI did not change** in October 2023, compared with a rise of 2.0% in October 2022.
- The **largest downward contribution** to the monthly change in both CPIH and CPI annual rates came from **housing and household services**, where the annual rate for CPI was the lowest since records began in January 1950. The **second-largest downward contribution** to the monthly change in both CPIH and CPI annual rates came from **food and non-alcoholic beverages** where the annual rate was the lowest since June 2022.
- **Core CPIH rose by 5.6%** in the 12 months to October 2023, down from 5.9% in the 12 months to September 2023; the CPIH goods annual rate fell from 6.2% to 2.9%, while the CPIH services annual rate fell from 6.3% to 6.2%.
- **Core CPI rose by 5.7%** in the 12 months to October 2023, down from 6.1% in September; the CPI goods annual rate fell from 6.2% to 2.9%, while the CPI services annual rate fell from 6.9% to 6.6%.

Latest ONS UK Producer price inflation key findings:

- **Producer input prices fell by 2.6% in the year** to October 2023, down from a revised fall of 2.1% in the year to September 2023. **Producer output (factory gate) prices fell by 0.6% in the year** to October 2023, down from a revised increase of 0.2% in the year to September 2023.
- **On a monthly basis, producer input prices rose by 0.4% and output prices rose by 0.1% in October 2023.**
- Inputs of fuel, and outputs of food products provided the largest downward contributions to change in the annual rates of input and output inflation.
- While annual producer price inflation rates have generally been negative since June 2023, with prices in some sectors falling, the index levels for both input and output prices remain substantially higher than their 2021 levels, which is the last time producer price inflation was stable.

ONS UK Trade

- **The value of goods imports decreased by £2.9bn (6.2%) in September 2023, with falls in imports from both EU and non-EU countries.** The fall in imports was mainly the result of lower imports of machinery and transport equipment from the EU and reduced fuel imports from non-EU countries. **The value of goods exports decreased by £0.9bn (2.9%) because of falls in exports to both EU and non-EU countries.**
- **The total trade in goods and services deficit narrowed by £7.1bn to £6.0bn in Q3 2023,** the result of a substantial fall in imports; the total trade deficit has declined steadily since Q2 2022 when it stood at £26.9bn. **The trade in goods deficit narrowed by £7.0bn to £44.2bn in Q3 2023, while the trade in services surplus widened by £0.1 bn to £38.3bn.**

Autumn Statement and Other Government Policy

Jeremy Hunt presented his 2023 Autumn Statement to Parliament on 22nd November 2023, **described as an 'Autumn Statement for growth'**. The economic priorities are to **halve inflation, grow the economy and reduce debt**. The Chancellor said the Statement set out "growth measures to back British business" and "measures to make work pay".

The Statement was published alongside new forecasts from the Office for Budget Responsibility (OBR) which predict that the UK economy will grow more slowly than previously thought – with **real GDP growth slowing from 4.3% in 2022 to 0.6% this year and 0.7% next year.** More **positively, inflation was confirmed to have fallen to 4.6%, and anticipated to drop to 2.8% by the end of 2024.** However, driven by high inflation and interest rates, **living standards are forecast to be 3.5% lower in 2024-25 than their pre-pandemic level.**

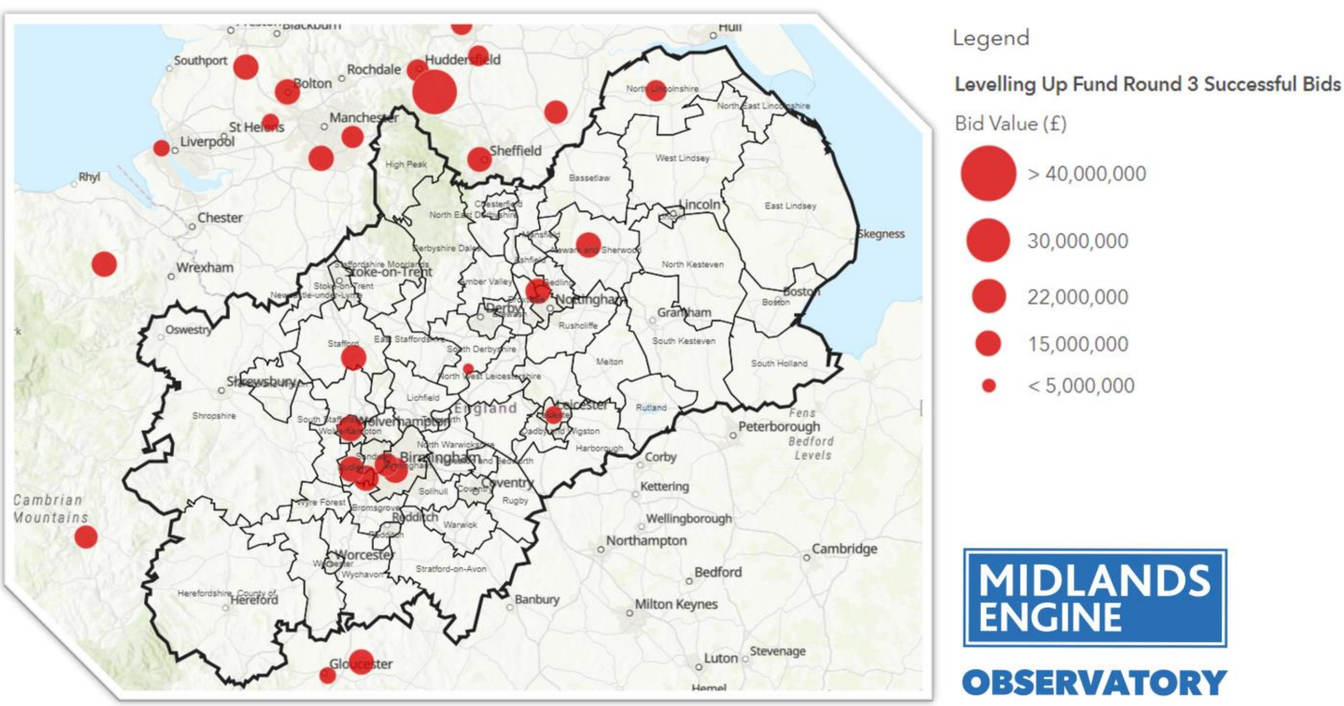
Within this context, the Chancellor announced the following key measures as part of the Statement:

- A **significant reduction in rates of National Insurance Contributions** (NICs), including a 2p cut in the main rate.
- A **permanent 100 per cent capital allowance for qualifying business investment.**
- A **package of reforms to welfare and health services** designed to increase labour market participation.
- The **National Living wage increased** to £11.44 from £10.42 per hour from April 2024.
- The **75% business rates discount** for retail, hospitality and leisure firms in England extended by a year.
- **Funding of £4.5bn to attract investment** to strategic manufacturing sectors.
- **£500m in funding over the next two years** to fund Artificial Intelligence Centres.
- The Government will **reform pension funds to unlock £75bn** of financing, including ensuring that, by 2040, all local government pension funds will be in pension funds of £200bn or more.
- **Planning reform** – including plans for accelerated planning decision dates for major developments in England to be guaranteed in exchange for a fee.
- **£50 million commitment to boost skills and apprenticeships** in engineering and other key sectors.

Additional announcements specific to the Midlands region include:

- The **confirmation of the West Midlands Investment Zone**, focused on advanced manufacturing. Local partners expect it to help to **leverage £2 billion in private investment and help to create 30,000 jobs in the region.**
- The **confirmation of the East Midlands Investment Zone**, focused on green industries and advanced manufacturing. It is expected to help to **leverage £383 million in private investment and help to create 4,200 jobs in the region.**
- The announcement of a **level 3 Mayoral devolution deal** with Greater Lincolnshire.

Furthermore, as part of announcements made earlier in the Autumn Statement week, a raft of additional Levelling Up projects were funded through the latest tranche of the Levelling Up Fund. In total, there were **11 successful bids totalling £187,068,449 funding in the Midlands Engine geography.**



MIDLANDS ENGINE OBSERVATORY

Policy Considerations

THEME	KEY INSIGHTS
Outlook	• In line with the OBR forecasts published with the Autumn Statement, predictions for UK regions suggest sluggish growth in 2023 and 2024. • According to the latest (Autumn 2023) economic forecasts from the National Institute of Economic and Social Research (NIESR), low economic growth is predicted for all devolved nations and English regions with the Midlands not reverting to pre-pandemic levels of GVA until 2025 (as seen in the chart to the left). **Only the West Midlands and the non-metropolitan parts of the South East are projected to have lower output at the end of 2024 than the end of 2019.** • NIESR also predict **the Midlands will continue to lag behind other regions with regard to employment** (potentially reaching its pre pandemic level in late 2025) while also forecasting the Midlands to experience the most significant drop in productivity between the fourth quarters of 2019 and 2025. • This is likely to be in part due to the **Midlands' reliance on more exposed and affected sectors** such as manufacturing, and their disproportionate impact of the major shocks in recent years. • More currently though, **West Midlands and East Midlands business confidence are both above the national average according to the ICAEW**. The West Midlands' Index rose a little in Q3 2023, in contrast to the national picture, while the East Midlands' decreased slightly. • However, the latest Business Confidence Barometer from Lloyds Bank suggests both **the East Midlands and West Midlands business confidence dropped in November,** and **are the lowest and fourth lowest levels of all UK regions**, reflecting the mixed picture across different surveys.
Trading Conditions	• The government's Autumn Statement was broadly well received by business groups and the wider business community. Highlighting measures such as full expensing, planning reform and electricity grid upgrades, The **British Chambers of Commerce said it "gives hope to businesses"**, while the FSB praised **welcome action on late payments, business rates and self-employed taxation.** • According to the latest ICAEW survey, **regulatory requirements remain the most widespread** challenge for companies in the West Midlands. Now 39% of businesses cite it as a growing issue, which is broadly in line with the historical average for the region. • In the East Midlands, companies continue to face the same major challenges in Q3 as in Q2, with **customer demand issues and regulatory requirements the most prevalent.** In the latest quarter, 41% of businesses in the East Midlands cite each as a growing challenge. • **Deal activity in the Midlands has declined so far this year after a bumper** 2022, according to a new report by Experian Market IQ, against a backdrop of a UK-wide subdued M&A market. **Volumes have fallen by about 22 per cent so far this year**, and value has experienced a decline of 72 per cent from the highs of almost £20bn to £5.7bn. • Furthermore, **profit warnings issued by listed companies in the Midlands are at their highest levels since Q4 2022**, according to new research from EY-Parthenon. EY-Parthenon's latest Profit Warnings report said that nine profit warnings were issued by UK-listed companies in the Midlands in Q3 2023, up from eight in Q2 2023.
Labour Market	• The latest KPMG and REC, UK Report on Jobs survey, compiled by S&P Global, revealed the **Midlands as an outperformer in terms of hiring during October.** The Midlands was the only English region to record a rise in permanent staff appointments, contrasting with the strong downturn seen at the UK level, while temporary billings growth also outpaced that seen at the national level. • Although the expansion was only marginal, it was a **marked contrast to the strong contraction seen at the UK level.** • Signs of softness were nevertheless apparent as candidate availability rose markedly, **while job vacancy growth remained considerably weaker than those seen in the first half of 2023.** • Local business support organisations have reported that many businesses are having to revise overall packages for retaining staff; that **increasing salaries alone is not enough to attract and retain staff.** Linked to this, **businesses continue to struggle with the lack of suitable people available**, including for both temporary and permanent roles across sectors.

2. Economic and Labour Market Impacts

Business Activity

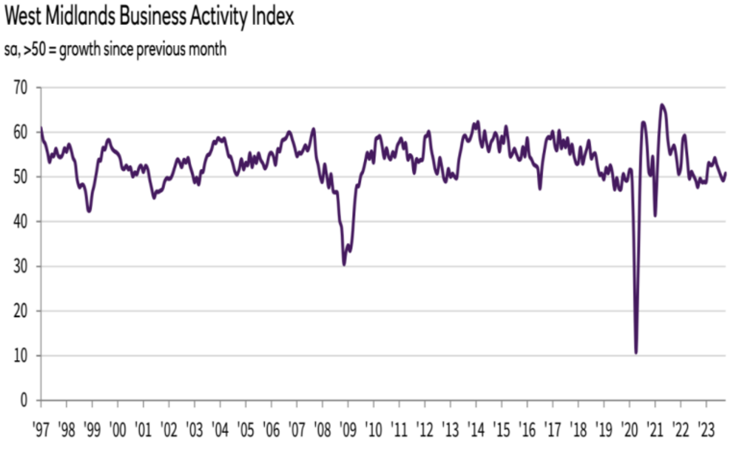
Business Activity Index

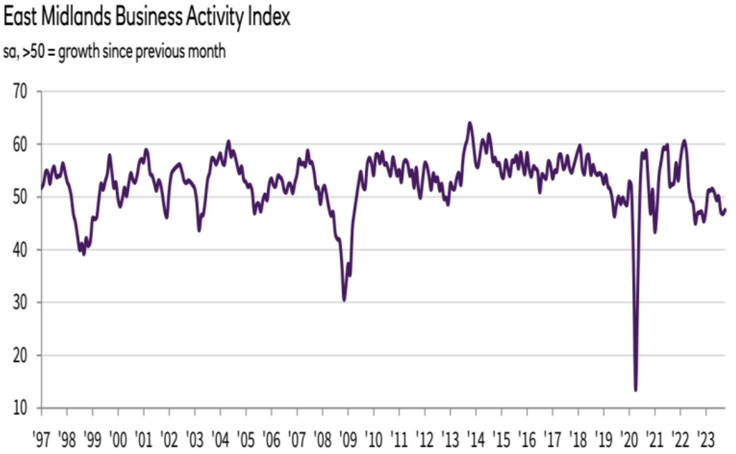
The **West Midlands Business Activity Index increased from 49.3 in September 2023 to 50.7 in October 2023.** The renewed increase in output was linked to new product releases and demand resilience.

The East Midlands Business Activity Index increased from 46.8 in September 2023 to 47.5 in October 2023, the third consecutive month where output was under the 50-growth mark. Firms reported weaker domestic and international client demand.

The UK Business Activity Index increased from 48.5 in September 2023 to 48.7 in October 2023.

Business Activity Index trends:





Source: NatWest West Midlands & East Midlands PMI, Nov 2023

Out of the twelve UK regions, the West Midlands was the second highest and East Midlands was fifth highest for business activity in October 2023.

Demand

The West Midlands New Business Index increased from 50.1 in September 2023 to 51.3 in October 2023. The East Midlands New Business Index decreased from 46.7 in September 2023 to 44.1 in October 2023, the fourth consecutive month of contraction.

Exports

The West Midlands Export Climate Index decreased from 49.3 in September 2023 to 48.6 in October 2023, the lowest figures recorded so far in 2023 and indicates a deterioration in export prospects. The East Midlands Export Climate Index decreased from 49.4 in September 2023 to 48.8 in October 2023, the sharpest fall seen since December 2022, and this was the third consecutive month under the 50-growth mark.

Business Capacity

The West Midlands Employment Index increased from 49.4 in September 2023 to 51.7 in October 2023. The East Midlands Employment Index increased from 44.8 in September 2023 to 46.2 in October 2023, the fourth consecutive month of contraction.

The West Midlands Outstanding Business Index increased from 44.9 in September 2023 to 46.8 in October 2023. The East Midlands Outstanding Business Index increased from 44.1 in September 2023 to 45.8 in October 2023. The 12th and 13th consecutive month respectively under the 50-mark threshold.

Prices

The West Midlands Input Prices Index decreased from 55.4 in September 2023 to 55.2 in October 2023. The East Midlands Input Prices Index decreased from 64.9 in September 2023 to 59.3 in October 2023.

The West Midlands Prices Charged Index remained at 54.6 in October 2023, still indicating a notable increase over the month. The East Midlands Prices Charged Index increased from 56.7 in September 2023 to 57.0 in October 2023.

Outlook

The West Midlands Future Business Activity Index decreased from 78.4 in September 2023 to 73.8 in October 2023. Optimism remained in firms due to the expectations of demand conditions to improve and support business activity, along with expansion plans, new clients, product diversification and planned investment.

The East Midlands Future Activity Index decreased from 69.4 in September 2023 to 65.6 in October 2023. Firms remained due to hopes of greater investment into marketing and the launch of new products driving business activity. Optimism was restricted due to the subdued demand conditions.

Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth lowest for the Future Business Activity Index in October 2023.

Source: NatWest: UK regional PMI report for October 2023, released November 2023.

Labour Market and Job Postings

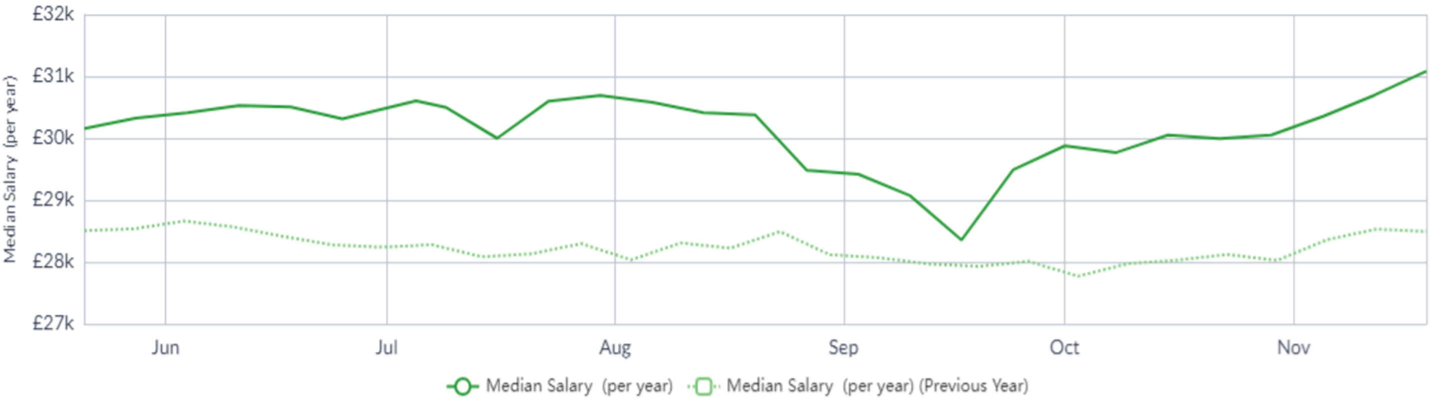
The latest labour market statistics closely resemble those from last month, suggesting little change. Employment, unemployment, and economic inactivity estimates remain largely unchanged. However, vacancy data shows a mixed scenario: **while vacancies are declining, they remain higher than pre-pandemic levels, signalling a potential return to normal labour market functioning**. However, decreases in young people employed, as well as declines in hospitality and construction sectors suggest a weakening of demand.

The latest job postings data shows that the **number of postings across the Midlands dropped 18.5% over the last six months to just over 1.13 million**. Despite employer demand narrowing, those seeking work - wanting a job, currently remains heightened (2.0 Interest Quotient).

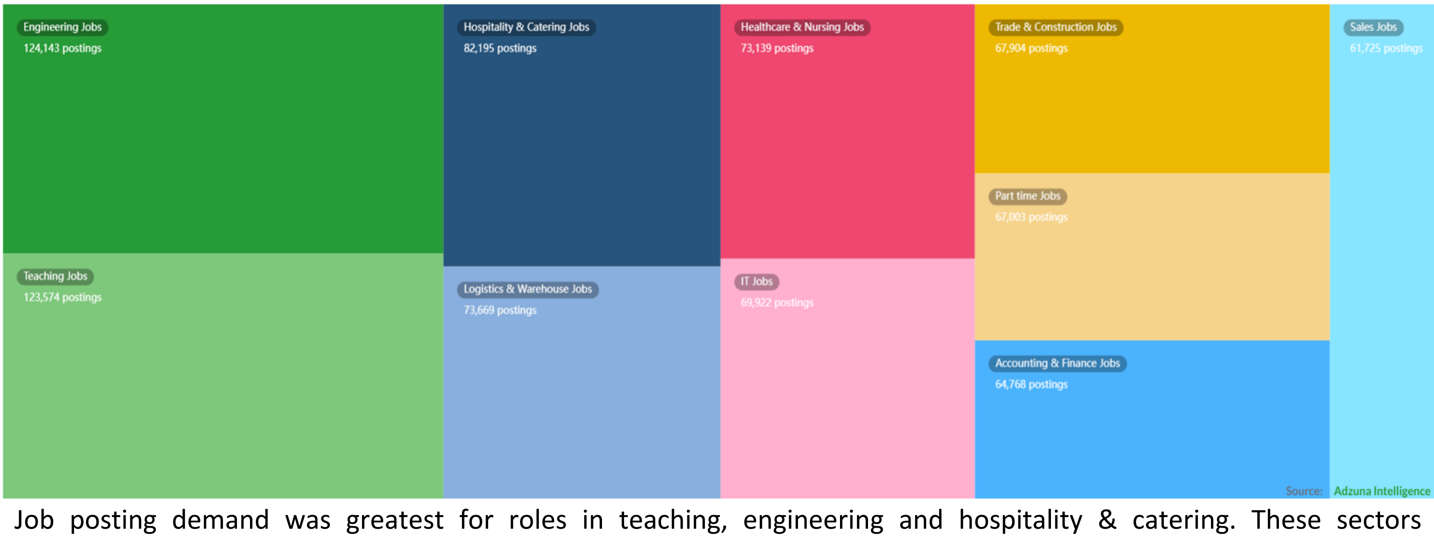
Overall Demand and Interest for the Midlands:

The **advertised median salary across the Midlands has increased by 7.2%** year-on-year to £30,222 per year.

Salary Trends for the Midlands:



Sectors Hiring in the Midlands:



Job posting demand was greatest for roles in teaching, engineering and hospitality & catering. These sectors accounted for 29.2% of all job postings in the last six months.

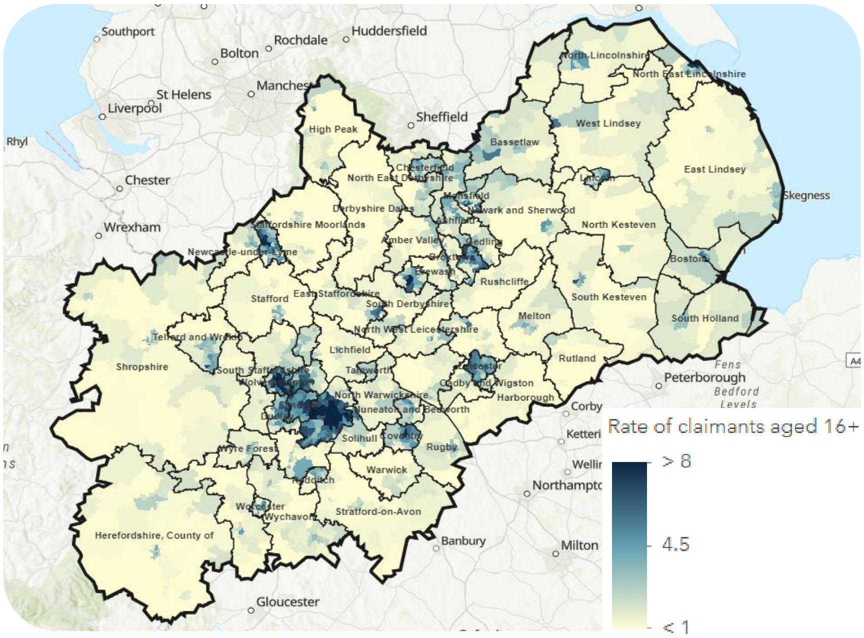
Source: Adzuna Limited Job Posting Intelligence, Accessed Sept 2023. The Interest Quotient uses jobseeker data to quantify the level of interest in particular roles.

Labour Market Impacts: Claimants

There were **270,825 claimants aged 16 years and over** in the Midlands Engine area in October 2023, an increase of 2,490 claimants (+0.9%, UK +1.1%) since the previous month. **There are 49,285 more claimants (+22.2%, UK +21.4%) when compared to March 2020**. East Lindsey, North East Lincolnshire, North Lincolnshire and West Lindsey all have lower levels of claimants now than in March 2020 (-1,100, -380, -265 and -50 respectively).

The number of claimants as a percentage of residents aged 16 years and over was 3.2% in the Midlands Engine and 2.8% for the UK in October 2023.

Claimants as a Percentage of Residents Aged 16 Years and Over in October 2023:



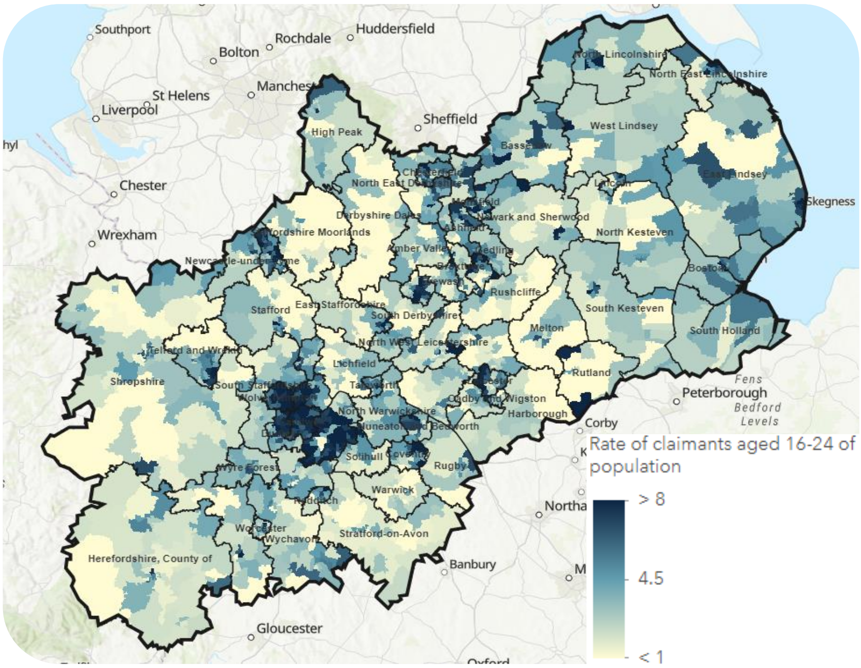
Out of the 1,511 wards within the Midlands Engine, **451 were at or above the UK average of 2.8%** for the number of claimants as a percentage of the population aged 16 years and over in October 2023.

The wards with the highest number of claimants as a percentage of the population were based in Birmingham, with Handsworth the highest at 16.0%. This was followed by Lozells at 15.7% and then Aston at 14.9%. In contrast, the lowest proportions were in Keele (Newcastle-Under-Lyme) with 0.1% and Ashby Castle (North West Leicestershire) with 0.2%.

There were **52,630 claimants aged 16-24 years old** in the Midlands Engine area in October 2023 – an increase of 680 youth claimants since September 2023. This equated to an increase of 1.3% for the Midlands Engine area (UK +1.9%). Since March 2020, **the number of youth claimants has increased by 8,435** (+19.1%, UK +14.7%). Notably, 12 local authorities are lower than March 2020 levels.

The number of claimants as a percentage of residents aged between 16-24 years old was 4.6% in the Midlands Engine and 3.9% for the UK in October 2023.

Claimants as a Percentage of Residents Aged 16-24 Years in October 2023:



Out of the 1,511 wards within the Midlands Engine, **638 were at or above the UK average of 3.9%** for the number of claimants as a percentage of the population aged 16–24 years and over in October 2023.

The ward with the highest number of claimants as a percentage of the population was Handsworth (Birmingham) at 15.9%. This was followed by Portland (Mansfield) at 14.9% and East Park (Wolverhampton) at 13.5%. In contrast, within the Midlands Engine there were 92 wards with no youth claimants in October 2023.

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

Source: ONS/ Department for Work and Pensions, November 2023.

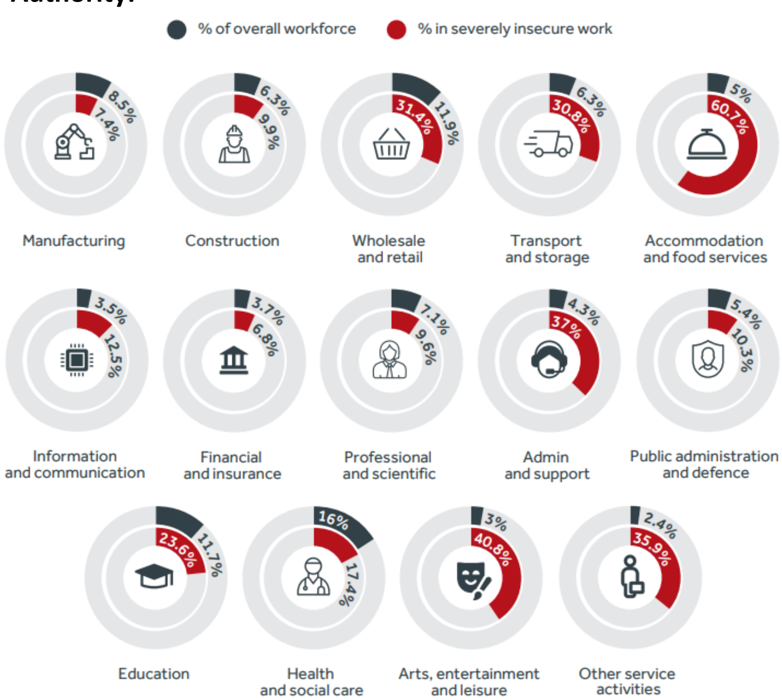
West Midlands City Region Employment Profile

Work Foundation have published twelve City Region employment profiles. The profiles take a deep dive into research presented in [Work Foundation's Delivering Levelling Up? How secure work can reduce regional inequality] report. The Work Foundation defines insecure work through a single holistic measure which combines: contractual insecurity, where people are not guaranteed future hours or future work - such as jobs in the gig economy, zero contract work or part-time work, financial insecurity, where people have unpredictable pay or their pay is simply too low to get by and lack of access to employment rights and protections.

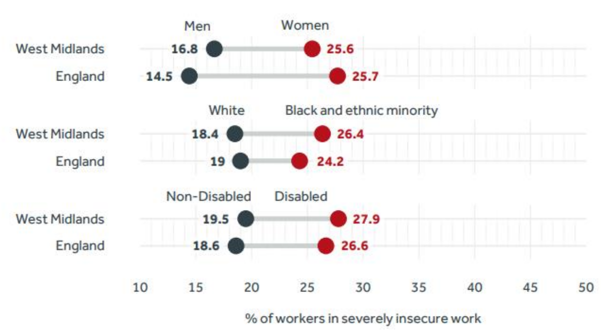
Findings from the [West Midlands Region Employment Profile] include:

- The West Midlands Combined Authority has a **higher rate of severely insecure work compared to the English average** (21% compared to 19.4%). **It has the third highest rate of severely insecure work out of the nine English Combined Authorities.**
- The West Midlands Combined Authority has a **higher number of zero-hour contracts, involuntary and voluntary temporary work than the national average**. On the other hand, there are lower levels of second jobs and solo self-employment.
- Across the Combined Authority, **there is significant variation in the prevalence of severely insecure work amongst the seven local authorities**. Wolverhampton is the hotspot in the city region with a quarter of its workers (25.6%) in severely insecure work, which is six percentage points above the English average. In Dudley, 13.6% of workers are in severely insecure work which is approximately six percentage points below the English average.
- **Women in the West Midlands are 1.5 times more likely to be in severely insecure** work than men. Compared with the average in England, there is a larger share of workers from a Black and ethnic minority background in the West Midlands (31.6% compared with 13.8%). However, **Black and ethnic minority workers are 1.4 times more likely to experience severely insecure wor**k (26.4% compared to 18.4%). **Disabled workers are 1.4 times more likely to be in severely insecure work than non-disabled workers, which is on par with the national average.**
- The age insecurity gaps in the Combined Authority are approximately on par with the national average. However, **severely insecure work in the 16-24 age category is lower at 39.2% relative to the English average of 43%.**
- **Insecure work in the West Midlands is driven by the wholesale, retail transportation and administration and support sectors.** Nearly 20% of the workforce are employed in these three sectors, and of these workers, nearly one in three are in severely insecure work. **The level of insecurity is also very high in the arts, entertainment and leisure sector as well as administration and support**, although it is important to note that these sectors make up a small proportion of the overall workforce. **Manufacturing is the most secure sector with 66.1% of workers in secure work.**

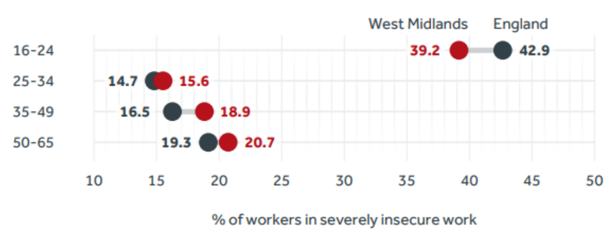
Insecurity Across Sectors in the West Midlands Combined Authority:



The Gender, Ethnicity and Disability Insecurity Gaps:



The Age Insecurity Gap:



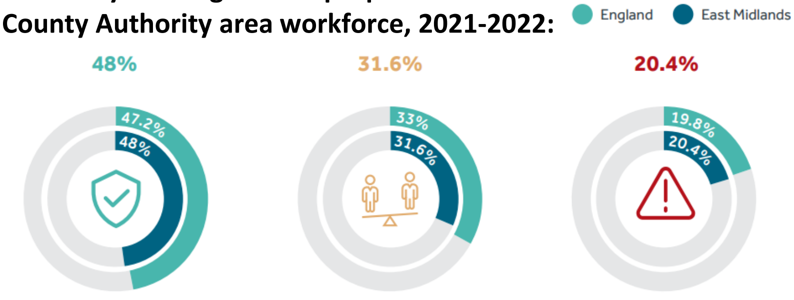
Source of images: Work Foundation calculations of the Office for National Statistics Labour Force Survey; 2021- 2022.

East Midlands City Region Employment Profile

Findings from the [East Midlands Region Employment Profile]() include:

- Between 2021-2022, the proposed East Midlands Combined County Authority area was home to a **comparatively higher number of second jobs, low paid jobs and temporary work than the national average.** On the other hand, there was lower involuntary part-time work and solo-self-employment.
- The proposed East Midlands Combined County Authority area has a **higher rate of severely insecure work at 20.4% compared to the English average of 19.4%.**

Insecurity amongst the proposed East Midlands Combined County Authority area workforce, 2021-2022:



Secure

Workers experiencing no forms of insecure work.

Low/Moderate insecurity

Workers experiencing one form of insecurity, or two or three lower weighted forms.

Severe Insecurity

Workers experiencing involuntary part-time and involuntary temporary forms of work, or a combination of two or more heavily weighted forms of insecurity.

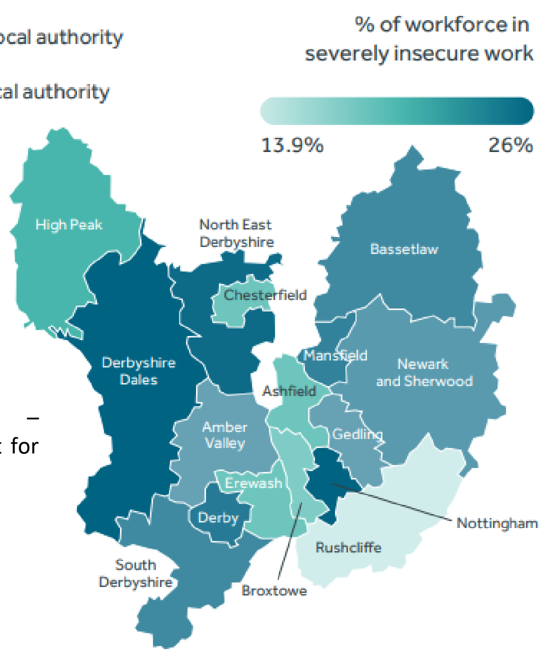
- Across the proposed East Midlands Combined County Authority area, **there is significant variation amongst the 16 local authorities.** Derbyshire Dales is the hotspot in the city region for severely insecure work, and above the national average, at 26%. In Rushcliffe, only 13.9% of workers are in severely insecure work and more than half are in secure work. Nottingham has the lowest employment rate (63.7%) and highest inactivity rate (32%) in this region and is five percentage points above the English average for severely insecure work.

	Severely Insecure Work	Low / moderately insecure work	Secure Work
England	19.8%	33%	47.2%
East Midlands	20.4%	31.6%	48%
Amber Valley	19.3%	28.9%	51.7%
Ashfield	17.8%	25.8%	56.4%
Bassetlaw	22.4%	29.1%	48.5%
Broxtowe	16.4%	33.7%	49.9%
Chesterfield	18.5%	34.7%	46.8%
Derby City	23.4%	28.7%	47.9%
Derbyshire Dales	26%	38.8%	35.2%
Erewash	16.8%	39.4%	43.8%
Gedling	19.4%	31.4%	49.2%
High Peak	16.1%	32.7%	51.3%
Mansfield	22.6%	32.9%	44.5%
Newark and Sherwood	20%	31.9%	48.0%
North East Derbyshire	25.7%	27.3%	47.0%
Nottingham	24.6%	34.1%	41.4%
Rushcliffe	13.9%	32.7%	53.4%
South Derbyshire	22.7%	23.8%	53.5%

East Midlands Combined County Authority Labour Market:

Worst performing local authority

Best performing local authority



Bolsover not included – sample size not sufficient for an accurate figure.

Source : Work Foundation calculations of the Office for National Statistics Labour Force Survey; 2021- 2022.

Recommendations For All City Regions:

- Recognise insecure work in economic development and skills strategies based on the sectors and roles within where it is concentrated, and the worker groups who are primarily impacted.
- Include the regular tracking of insecure work indicators as part of existing Combined Authority labour market analysis.
- Explore partnerships and engagement with employment charters to share lessons and best practice.
- Harness procurement and investment incentives by building clear employment standards requirements into the commissioning and procuring goods and services.
- Support national enforcement bodies by helping to build relationships with local employers and reporting non-compliance or violations of rights in your area.

The Changing Geography of Jobs

The Institute for Fiscal Studies (IFS) recently produced a report on **the changing geography of jobs from 1993-2022**. The report discusses the profound changes seen across the labour market over this period, **including the 'hollowing out' of jobs in the middle of the pay distribution, rising demand for high-skilled workers, an expansion of higher education and an increase in both domestic and offshore outsourcing.** These trends have had significant implications on geographical inequalities.

Key Findings

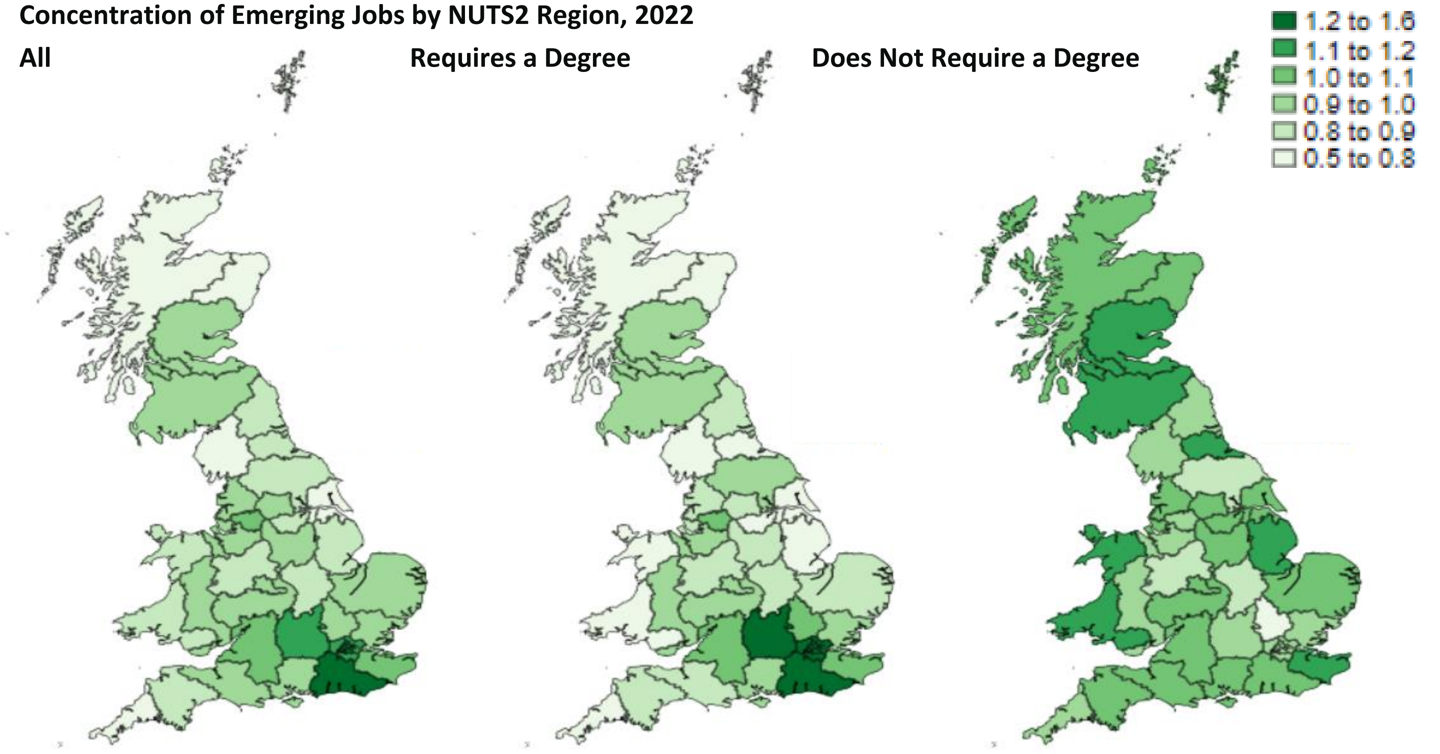
- Between 1993 and 2022, **employment in traditionally middle-paying occupations fell by 12%** nationally, while **employment in low and high paying jobs grew by 14% and 95% respectively**. This has had implications on regional inequalities due to the benefits seen by high-skilled jobs forming clusters in larger cities, particularly in the south.
- **The decline in manufacturing jobs**, providing well-paid work for people without degrees, **has mainly affected the North and Midlands.**
- **Low paid service jobs have shown growth everywhere, but high-paid jobs are mainly found in London and other cities.**
- **Higher education participation has expanded evenly, however graduate jobs have become more concentrated in London.**
- There has been a **clear transition to becoming a service economy** over this period, as well as a **pattern of polarisation** caused by growth in very high-paid professional service jobs as well as very low-paid service jobs.

Implications for the Midlands

- There has been a significant impact of the **disappearance of traditionally middle-paid jobs, in particular in the North and Midlands** due to each region's reliance on the manufacturing sector. While the Midlands has felt the effect of this**, high-skilled jobs in professional services have benefitted most strongly from forming large clusters in London**, contributing to **regional inequalities.**
- Many parts of **the North of England and the West Midlands have seen a notable decrease in middle-paid jobs, but smaller increases in high-paid jobs** than many other parts of the country. A few areas stand out, including the West Midlands County, where **the fall in middle-paid jobs coincided with a relatively large rise in high-paid jobs** with Birmingham being a beneficiary of the cluster of high-skilled growing occupations.
- There is a clear **positive relationship between region size and the concentration of growing occupations that require a degree**, it is noted that high-skilled service based jobs benefit from agglomeration and hence tend to **cluster in large cities including Birmingham. Large cities nationwide have a high concentration of high-skilled growing occupations**, however this is more clear in cities in the South compared to the rest of the country.

Concentration of Emerging Jobs by NUTS2 Region, 2022

All **Requires a Degree** **Does Not Require a Degree**



Skills Outlook: East Midlands

Pearson have produced a Skills Outlook report to give a regional breakdown of the immediate needs of the modern workforce and to help employers adapt to technological change; this report provides localised insights into the East Midlands and West Midlands.

East Midlands

Pearsons insights predict that by 2027 **17.7k more jobs will be available for local people**. Automation will continue to be significant in driving workforce changes. **In the East Midlands, additional employees needed in Transportation & Storage is set to marginally exceed ICT**, however**, by percentage increase ICT will experience the greatest growth.**

Expanding industries

Projections show that Transportation & Storage will see the greatest growth in headcount by 2027, increasing by 23.1k, because the projected surge in macroeconomic demand is set to outweigh the impact of automation in the sector. **Large Good Vehicle Drivers is expected to be the fastest growing job role with the region expected to require 3.1k more people to fill this role by 2027**. The top 5 industries by increase in headcount expected between 2022 and 2027 are:

- Transportation & Storage
- Information & Communication
- Administrative & support service activities
- Professional, scientific and technical activities
- Real estate activities

The fastest growing in terms of % net change is expected to be Information & communication (+25.77%).

Impact in the East Midlands by 2027

	Change in headcount
Economic Growth	+154.3k (6.5%)

Quantifies job demand as the economy grows or declines over time. It considers industry growth, industry supply-chains and employment elasticity.

Technology Impact	-163.9k (6.9%)

A measure of jobs impacted by automation and augmentation, reducing their demand. It utilises Faethm by Pearson's technology adoption and work attribution models, informed by a task-level view of the workforce.

Jobs Added	+27.3k (1.2%)

The additional jobs needed to support technology implementation and maintenance.

Overall change	**+17.7k**

Declining industries

Despite a projected overall increase in headcount in the region by 2027, 11 industries are expected to have lower headcounts by 2027. This is due to technological impact being expected to outweigh economic growth and other job addition. **Wholesale & Retail is set to experience the greatest decrease in headcount with a drop of 15.4k**. In light of this, local policy action is needed to ensure workers in highly impacted roles have viable options for career transitions. The industries with the projected largest decrease in headcount by 2027 are:

- Wholesale & retail trade; repair of motor vehicles and motorcycles
- Manufacturing
- Education
- Financial and insurance activities
- Accommodation and Food service activities

Sales & Retail assistants are expected to have 7.2k fewer jobs by 2027. The sector projected to have the largest decrease in headcount (by % net change) by 2027 is financial & insurance activities (-6.27%).

Job Impact

Jobs growing

Role	2022 Headcount	2027 Headcount	Net Change	% Net Change
Large Goods Vehicle Drivers	36,740	39,859	+3,120	+8.49%
Care Workers and Home Carers	70,810	73,127	+2,320	+3.28%
Cleaners and Domestics	64,940	66,933	+1,990	+3.06%
Programmers & Software Development Professionals	10,010	11,781	+1,770	+17.69%
IT Specialist Managers	9,780	11,224	+1,450	+14.83%
Bus and Coach Drivers	13,780	15,198	+1,420	+10.30%
Managers and Proprietors in Other Services	24,780	26,060	+1,280	+5.17%
IT and Telecommunications Professionals	7,550	8,822	+1,270	+16.82%
Taxi and Cab Drivers and Chauffeurs	15,050	16,291	+1,250	+8.31%
Managers & Directors in Transport and Distribution	8,790	9,989	+1,200	+13.65%

Jobs going

Role	2022 Headcount	2027 Headcount	Net Change	% Net Change
Sales and Retail Assistants	99,010	91,791	-7,220	-7.29%
Other Administrative Occupations Nec	56,930	54,212	-2,720	-4.78%
Bookkeepers Payroll Managers and Wages Clerks	27,920	25,497	-2,420	-8.67%
Kitchen and Catering Assistants	33,490	31,197	-2,290	-6.84%
Food Drink and Tobacco Process Operatives	27,220	24,996	-2,220	-8.16%
Receptionists	21,760	20,082	-1,680	-7.72%
Metal Working Production and Maintenance Fitters	21,280	19,738	-1,540	-7.24%
Retail Cashiers and Checkout Operators	11,700	10,401	-1,300	-11.11%
Personal Assistants and Other Secretaries	21,420	20,181	-1,240	-5.79%
Elementary Process Plant Occupations Nec	15,750	14,572	-1,180	-7.49%

Skills Outlook: West Midlands

West Midlands

Pearsons insights predict that by 2027 21.5k more jobs will be available for local people. Automation will continue to be significant in driving workforce changes. In the West Midlands, additional employees needed **in Transportation & Storage is set to exceed ICT**. Conversely, **the West Midlands' Wholesale & Retail Trade sector is expected to offer 17.9k fewer jobs by 2027**. It is key for local governments to ensure workers in highly impacted jobs are offered viable options to transition into growing sectors in need of new workers.

Impact in the West Midlands by 2027

	Change in headcount
Economic Growth	+192.6k (6.5%)

Quantifies job demand as the economy grows or declines over time. It considers industry growth, industry supply-chains and employment elasticity.

Technology Impact	-205.3k (6.9%)

A measure of jobs impacted by automation and augmentation, reducing their demand. It utilises Faethm by Pearson's technology adoption and work attribution models, informed by a task-level view of the workforce.

Jobs Added	+34.2k (1.2%)

The additional jobs needed to support technology implementation and maintenance.

Overall change	**+21.5k**

Expanding industries

Projections show that **Transportation & Storage will see the greatest growth in headcount by 2027, increasing by 23.7k**, because the projected surge in macroeconomic demand is set to outweigh the impact of automation in the sector. **Large Good Vehicle Drivers is expected to be the fastest growing job role with the region expected to require 2.7k more people to fill this role by 2027**. The top 5 industries by increase in headcount expected between 2022 and 2027 are:

- Transportation & Storage
- Information & Communication
- Administrative & support service activities
- Professional, scientific and technical activities
- Real estate activities

The fastest growing in terms of % net change is expected to be Information & communication (+25.87%).

Declining industries

Despite a projected overall increase in headcount in the region by 2027, 11 industries are expected to have lower headcounts by 2027. This is due to technological impact being expected to outweigh economic growth and other job addition. **Wholesale & Retail is set to experience the greatest decrease in headcount with a drop of 17.9k**. The industries with the projected largest decrease in headcount by 2027 are:

- Wholesale & retail trade; repair of motor vehicles and motorcycles
- Manufacturing
- Education
- Financial and insurance activities
- Accommodation and Food service activities

Sales & Retail assistants are expected to have 9.0k fewer jobs by 2027. The sector projected to have the largest decrease in headcount (by % net change) by 2027 is financial & insurance activities (-6.40%).

Job Impact

Jobs growing

Role	2022 Headcount	2027 Headcount	Net Change	% Net Change
Cleaners and Domestics	91,430	94,719	+3,290	+3.60%
Care Workers and Home Carers	84,100	86,879	+2,780	+3.31%
Large Goods Vehicle Drivers	34,550	37,230	+2,680	+7.76%
Programmers and Software Development Professio..	12,040	14,099	+2,060	+17.12%
IT Specialist Managers	13,250	15,229	+1,980	+14.94%
Taxi and Cab Drivers and Chauffeurs	21,970	23,698	+1,730	+7.87%
IT and Telecommunications Professionals	10,870	12,597	+1,730	+15.92%
Managers and Proprietors in Other Services	32,810	34,516	+1,700	+5.18%
Security Guards and Related Occupations	27,360	29,007	+1,650	+6.03%
Bus and Coach Drivers	15,790	17,342	+1,560	+9.88%

Jobs going

Role	2022 Headcount	2027 Headcount	Net Change	% Net Change
Sales and Retail Assistants	124,630	115,642	-8,990	-7.21%
Other Administrative Occupations Nec	69,720	66,281	-3,440	-4.93%
Bookkeepers Payroll Managers and Wages Clerks	37,420	34,095	-3,320	-8.87%
Kitchen and Catering Assistants	45,770	42,681	-3,080	-6.73%
Receptionists	27,720	25,564	-2,150	-7.76%
Metal Working Production and Maintenance Fitters	26,120	24,256	-1,860	-7.12%
Personal Assistants and Other Secretaries	28,170	26,535	-1,640	-5.82%
Bank and Post Office Clerks	16,610	15,009	-1,600	-9.63%
Retail Cashiers and Checkout Operators	14,360	12,766	-1,590	-11.07%
Elementary Process Plant Occupations Nec	18,890	17,335	-1,560	-8.26%

3. Business Environment

Midlands Engine Business Demography

The ONS released their annual business demography publication, providing **data on the number of enterprises, births, deaths, survival rates and high growth firms across the UK in 2022.**

Active Enterprises
For the Midlands Engine area, there **were 404,955 active enterprises in 2022**. This has **decreased by 0.7% (-2,870 enterprises)** since 2021, which reflects national trends (-0.5%).

In 2022, there were **386 enterprises per 10,000 population in the Midlands Engine area**, compared to 452 per 10,000 population nationally. This has decreased from 2021, where there was 393 per 10,000 population (England 458 per 10,000 population) but matches 2020 figures (England was 454 per 10,000 population).

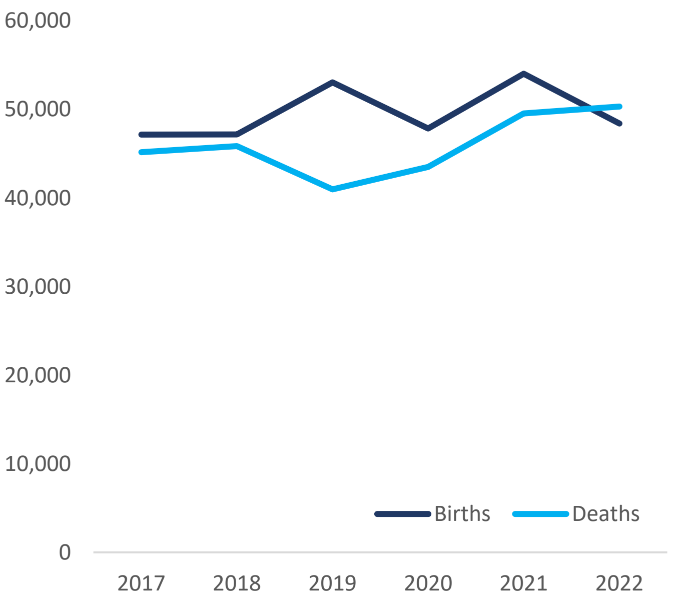
For the Midlands Engine to reach the national average of 452 per 10,000 population requires an additional 69,258 active enterprises.

Enterprise Births and Deaths
There were **48,395 enterprise births in the Midlands Engine** in 2022. This represents a decrease of 10.4% (+5,620 births) since 2021, with the UK also decreasing (-7.4%) over the same period.

There were **46 enterprise births per 10,000 population** in the Midlands Engine area in 2022, below the England figure of 53 births per 10,000 population. For the Midlands Engine to reach the national average, an additional 6,830 enterprise births are required each year.

Enterprise deaths in the Midlands Engine area increased by 1.6% (+770 deaths) between 2021 and 2022 to 50,300, below the UK overall growth rate of 5.2%.

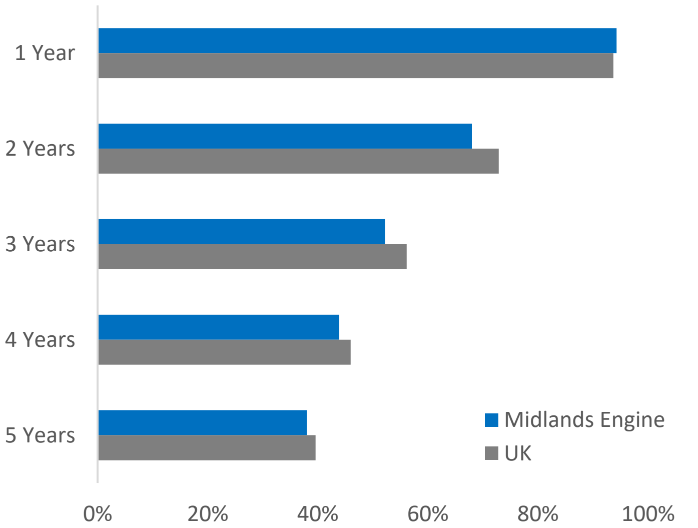
Midlands Engine Enterprise Births and Deaths in Recent Years:



Survival Rates
The findings suggest the **Midlands Engine lags behind in survival rates** for both the short and long term:

- Of the 54,015 enterprise births in 2021 in the Midlands Engine area, **93.2% (50,330) were still active after 1 year**. This was just slightly below the UK 1-year survival rate of 93.4%.
- Of the 47,840 enterprise births in 2020 in the Midlands Engine area, **67.2% (32,155) were still active after 2 years** compared to 71.2% for the UK.
- Of the 53,040 enterprise births in 2019 in the Midlands Engine area, **49.7% (26,335) were still active after 3 years** compared to 55.9% for the UK.
- Of the 47,155 enterprise births in 2018 in the Midlands Engine area, **44.9% (21,190) were still active after 4 years** compared to 47.3% for the UK.
- Of the 47,145 enterprise births in 2017 in the Midlands Engine area, **38.0% (17,920) were still active in 2022.** This is below the UK survival rate of 39.6%.

Five Year Survival Rates (From 2017 Births) for the Midlands Engine area and the UK:



High Growth Enterprises
Defined as all enterprises with average annualised growth greater than 20% per annum, over a three-year period. The latest available data suggests there **was 1,435 high growth enterprise**s across the Midlands Engine in 2022. This represents an increase of 3.6% (+50) since 2021, with the UK increasing by 7.4%. **The latest annual growth follows three years of consecutive declines.**

At the local authority level, 21 increased. The greatest increases in high growth businesses between 2021 and 2022 were reported in Birmingham (+20), Shropshire (+15) and Wychavon (+10). There were 29 local authorities that remained at the same level. There were 14 local authorities which fell by 5 and a further 1 that declined by 15.

ScaleUp Annual Review: 2023

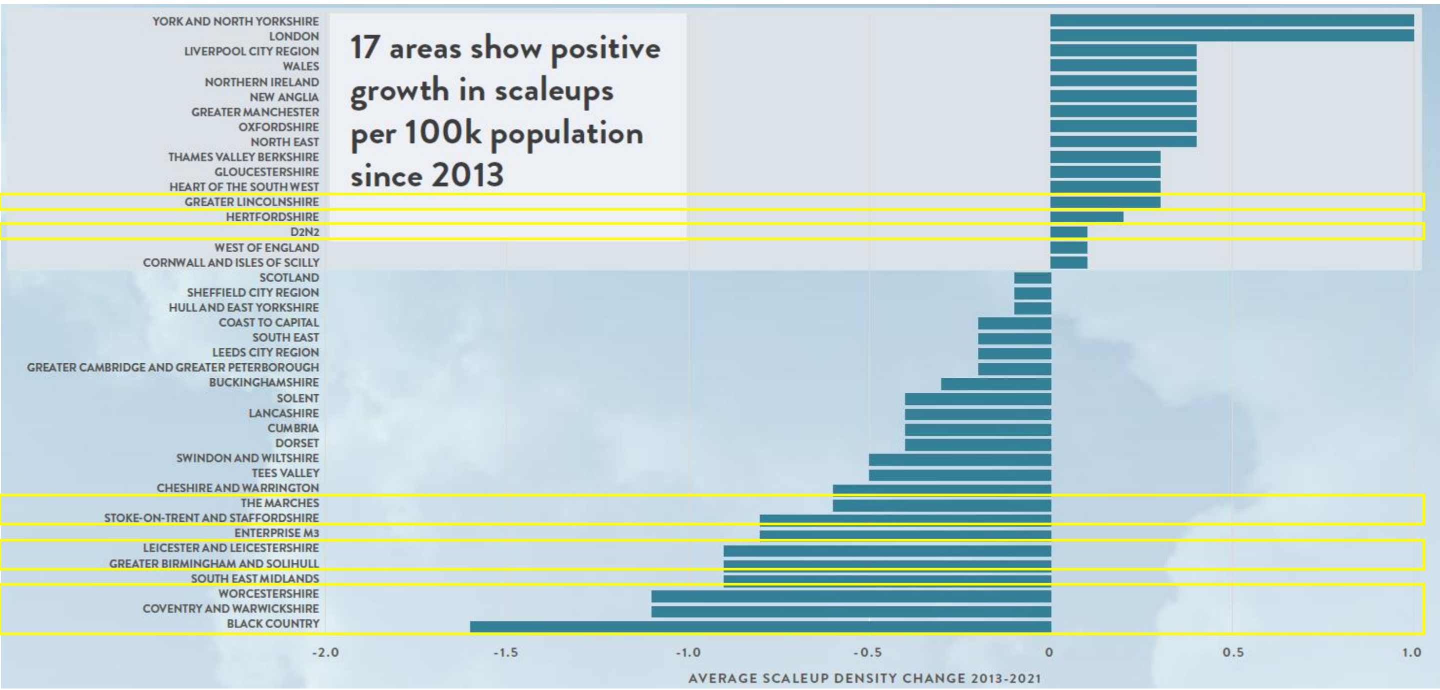
Key Findings for the Midlands from the recently published ScaleUp Annual Review 2023 include:

- Whilst the scaleup activity and pipeline spreads across the UK, there remains regional disparities. The UK had a total of **28,410 scaleups – of which 13.9% were in the Midlands 9 Local Enterprise Partnerships** (LEPs). The UK also had **13,170 scaling pipeline businesses – of which 14.7% were in the Midlands 9 LEPs.**
- **The Greater Lincolnshire (0.3) and D2N2 (0.1) LEP areas had positive growth in scaleups per 100k population since 2013.** However, at the other end of the scale, the Black Country had the highest negative change of all areas (-1.6), following closely by Coventry & Warwickshire & Worcestershire (-1.1).

Scaleup Density Data for the Midlands:

	8 Year Trend: Average Growth in Scaleup Density	Scaleups Per 100k Pop.	
	2013-2021 (since monitoring began)	2021	2020
Greater Lincolnshire	0.3	33.8	41.7
D2N2	0.1	36.1	43.6
The Marches	-0.6	35.1	45
Stoke-on-Trent & Staffordshire	-0.8	33.9	40.4
Leicester & Leicestershire	-0.9	42.6	51.5
Greater Birmingham & Solihull	-0.9	35	42.7
Worcestershire	-1.1	40.5	51.8
Coventry & Warwickshire	-1.1	38.7	48.3
Black Country	-1.6	29.3	37.8

Average Change in Scaleup Density:



Regional Cluster Breakdown

- **Wholesale & retail remained one of the top three sectors in all regions except London** where it ranked as the fourth biggest sector. It also increased in proportion throughout, with only a slight decrease in Northern Ireland.
- **Health and Social work continued to grow in most regions in 2021** increasing its rank in ten regions compared to its rank in 2020. It now appears as one of the top three sectors in nine out of twelve regions.

Sectors With More Than 3% Proportion of Scaleups:

	West Midlands
Wholesale & Retail	**18.0%**
Health & Social Work	**12.7%**
Admin & Support Services	12.2%
Manufacturing	12.2%
Professional, Scientific & Tech	8.0%
Construction	7.8%
Accommodation & Food	6.6%
Info & Communication	**6.1%**
Transport	4.1%

	East Midlands
Wholesale & Retail	**17.0%**
Manufacturing	13.4%
Health & Social Work	**12.6%**
Admin & Support Services	**11.2%**
Professional, Scientific & Tech	8.8%
Accommodation & Food	7.7%
Construction	7.7%
Info & Communication	4.1%
Transport	4.1%
Education	3.6%

Top 3 Growth Sectors:

	West Midlands: Change in Cluster Proportion
Health & Social Work	3.4
Wholesale & Retail	1.5
Info & Communication	1.0

	East Midlands: Change in Cluster Proportion
Wholesale & Retail	3.1
Health & Social Work	1.4
Admin & Support Services	1.0

Local Business and Policy Intelligence By Sector

SECTOR	KEY INSIGHTS
Logistics & Transport	• CBRE's UK Logistics Market Summary for Q3 2023 continues to show the **East Midlands has having the largest share of take-up** (almost half of the total UK take-up in Q3 and 32.5% on a 12-month rolling basis). • The East Midlands was the **only region to record take-up above 1m sq ft for the second quarter in a row**, totalling 1.64m sq ft and increasing its YTD to above 5m sq ft. Second-hand take-up was particularly strong. • As for the West Midlands, **year-to-date take-up of over 2.8m sq ft makes the region the second most active in the UK.**
Construction	• Monthly construction output in the UK is estimated to have **increased 0.4% in volume terms in September 2023. This follows two consecutive falls in monthly construction output**. While quarterly output increased 0.1%, coming solely from growth • This came solely from an **increase in repair and maintenance (2.1%),** partially offset by a decrease in new work (0.8% fall) on the month. • Total **construction new orders increased 3.9% (£393 million) in Quarter 3 2023 compared with Quarter 2 2023;** this quarterly rise came mainly from public other new orders and infrastructure new orders, which increased 23.7% (£265 million) and 14.3% (204 million), respectively.
Retail, Hospitality and Tourism	• Official data on **UK retail sales** **shows that they fell to a two-year low in October 2023**. The volume of products sold fell by 0.3% to the lowest level since February 2021 when large parts of the UK were in Covid lockdowns. • Complementing this, **retail sales volumes fell year-on-year in November for the seventh consecutive month, according to the latest quarterly CBI Distributive Trades Survey**. Despite a slight uptick in sentiment, firms expect sales to decline again in December. • Retail sales volumes fell in the year to November, but at a slower pace than last month (weighted balance of -11% from -36% in the year to October). **Retailers expect an even slower decline in volumes next month (-6%).** • Retailers also reported a **reduction in headcount in the year to November,** while investment is set to decline in the year ahead. Price pressures in the sector are expected to remain acute. • There were mixed feelings from retail and hospitality related to the Autumn Statement; while on one hand the **business rates relief extension is welcomed**, The British Retail Consortium have **claimed the Statement is a "sell out" that risks forcing up the pace of price rises in shops. Positively, UK shop inflation eased to the lowest rate in more than a year in November** as competition increased in the run-up to Christmas and food cost growth continued to fall. • There is ongoing **concern in the hospitality** sector regarding the **lack of available staff**. This is leading a number of venues to review opening times. Reported by a local business support organisation, one late night bar which requires 25 people to operate, is **considering shutting on a Friday night due to lack of staff.**
Manufacturing	• Manufacturers reported that **output volumes fell in the three months to November**, disappointing expectations for expansion, according to the CBI's latest Industrial Trends Survey. A more subdued outlook for production comes as order books fell to their weakest level since the second COVID-19 lockdown in early 2021. Both total and export order books were reported as below normal in November, to the greatest extent since January and February 2021 respectively. • As previously outlined though, there is likely to be regional differences in performance; with Midlands manufacturing still relatively robust, in part due to the strong recovery in automotive: **UK car manufacturing output went up 31.6% in October** with 91,521 units rolling out of factories. Also in the last yearly period, **manufacturing jobs increased according to ONS' Business Register and Employment Survey (BRES).** • Furthermore, Midlands industry has generally welcomed recent announcements by government to support the sector; for example through its new **Advanced Manufacturing Plan (including announcements for aerospace, automotive, life sciences and green industries) and Battery Strategy but also directly through the full expensing and skills / apprenticeships policies announced in the Autumn Statement.**

Business Insights and Impact on the UK Economy

ONS have published the final results from Wave 95 of the [Business Insights and Conditions Survey (BICS)](.).

Financial Performance

25.1% of West Midlands businesses and 25.7% of East Midlands businesses reported that the business turnover in October 2023 when compared to the previous month had increased. While 22.1% of West Midlands businesses and 21.7% of East Midlands businesses reported turnover had decreased.

19.3% of West Midlands businesses and 22.1% of East Midlands businesses expect turnover to increase in December 2023. While 29.2% of West Midlands businesses and 26.9% of East Midlands businesses expect turnover to decrease.

Demand for Goods and Services

13.3% of West Midlands businesses and 14.2% of East Midlands businesses reported the domestic demand for goods or services in October 2023 when compared to the previous month had increased. 15.4% of West Midlands businesses and 16.4% of East Midlands businesses reported a decrease.

5.5% of West Midlands businesses and 4.5% of East Midlands businesses reported the international demand for goods or services in October 2023 when to the previous month had increased. 5.3% of West Midlands businesses and 5.8% of East Midlands businesses reported a decrease.

Main Concern for Business

21.9% of West Midlands businesses and 22.8% of East Midlands businesses reported **falling demand of goods and services was the main concern for business** in December 2023.

EU Workers and Non-EU Workers

2.0% of West Midlands businesses and 2.3% of East Midlands businesses reported the number of workers from **within the EU had increased in October 2023 when compared to the same month last year.** While 5.4% of West Midlands businesses and 5.2% of East Midlands businesses reported the number of workers from **within the EU had decreased in October 2023 when compared to the same month last year.**

4.9% of West Midlands businesses and 4.5% of East Midlands businesses reported the number of workers from **outside the EU had increased in October 2023 when compared to the same month last year.** While 2.0% of West Midlands businesses and 2.1% of East Midlands businesses reported the number of workers from **outside the EU had decreased in October 2023 when compared to the same month last year.**

Net Zero

50.1% of West Midlands businesses and 51.9% of East Midlands businesses were **concerned about the impact climate change may have on business.**

Number of Employees

19.9% of West Midlands businesses and 19.6% of East Midlands businesses reported the number of employees had increased in October 2023 when compared to the previous month. 14.3% of West Midlands businesses and 13.0% of East Midlands businesses reported the number of employees had decreased.

15.5% of West Midlands businesses and 15.8% of East Midlands businesses expect the number of employees in December 2023 to increase. For both regions, 7.3% of businesses expect the number of employees to decrease.

Recruitment Difficulties

23.2% of West Midlands businesses and 22.2% of East Midlands businesses reported **experiencing difficulties in recruiting employees** in October 2023.

Debts and Insolvency

26.3% of West Midlands businesses and 28.8% of East Midlands businesses reported repayments were up to 20% of turnover. 7.8% of West Midlands businesses and 8.4% of East Midlands businesses reported repayments were between 20% and 100% of turnover.

46.8% of West Midlands businesses and 45.8% of East Midlands businesses had high confidence to meeting current debt obligations. 14.9% of West Midlands businesses and 16.5% of East Midlands businesses reported moderate or low confidence.

6.0% of West Midlands businesses and 6.6% of East Midlands businesses reported moderate risk of insolvency**.**

Overall Performance

28.3% of West Midlands businesses and 25.6% of East Midlands businesses reported that the overall performance in October 2023 when compared to the same month in the previous year had increased. While 18.1% of West Midlands businesses and 20.0% of East Midlands businesses reported performance had decreased.

38.8% of West Midlands businesses and 36.7% of East Midlands businesses expect overall performance to increase over the next 12 months. While 8.4% of West Midlands businesses and 9.1% of East Midlands businesses expect performance to decrease.

Please note – the survey reference period: 1st to 31st October 2023. Survey live period: 30th October to 12th November 2023. The response rates are low and the data is unweighted and should be treated with caution.

Invest in UK R&D

As part of the Universities as Drivers of Trade and Investment Pilot and aligned to the Department for Business and Trade (DbT) UK Global Investment Summit, Midlands Innovation and Midlands Enterprises Universities alongside the Midlands Engine have come together to **highlight internationally outstanding R&D investment opportunities in universities across the Midlands Engine pan-region.** This has led to the launching of four prospectuses across four sectors where the Midlands is world-renowned for its excellence in science, innovation and talent. These include:

- **AgriTech**

The Midlands is the home of some of the most productive farming land in Europe, world class research institutes and a history of innovation in food production. **With 20% of the country's AgriTech businesses based in the Midlands**, **the region hosts some of the UK's most significant concentrations of economic activity in this sector**. The region contains world-leading AgriTech sectors such as **Agrifood manufacturing** and **AgriTech** farming enabled through research and development expertise via biosciences, applied technologies and leadership in sustainability.

- **Health and Life Sciences**

The region hosts the largest cluster of MedTech companies in the UK, delivering **over 33,000 highly skilled jobs**. There are **eight medical schools, training over 20% of the UK's medical students**. World leading health and life science sectors in the Midlands include **biological sciences, health and social care and medical technology** enabled through research and development expertise in life sciences materials and sport.

- **Transport Technologies**

Furthermore, the Midlands is home to an internationally recognised transport technology cluster anywhere in the world. For over a century, the Midlands has grown companies and inventions that have reshaped the way the world moves. Our region has **world-leading transport technologies sectors including aerospace, automotive and rail** all enabled through research and development expertise in advanced manufacturing, electrification, energy generation and storage, digital and artificial intelligence alongside propulsion.

- **Zero-Carbon Energy**

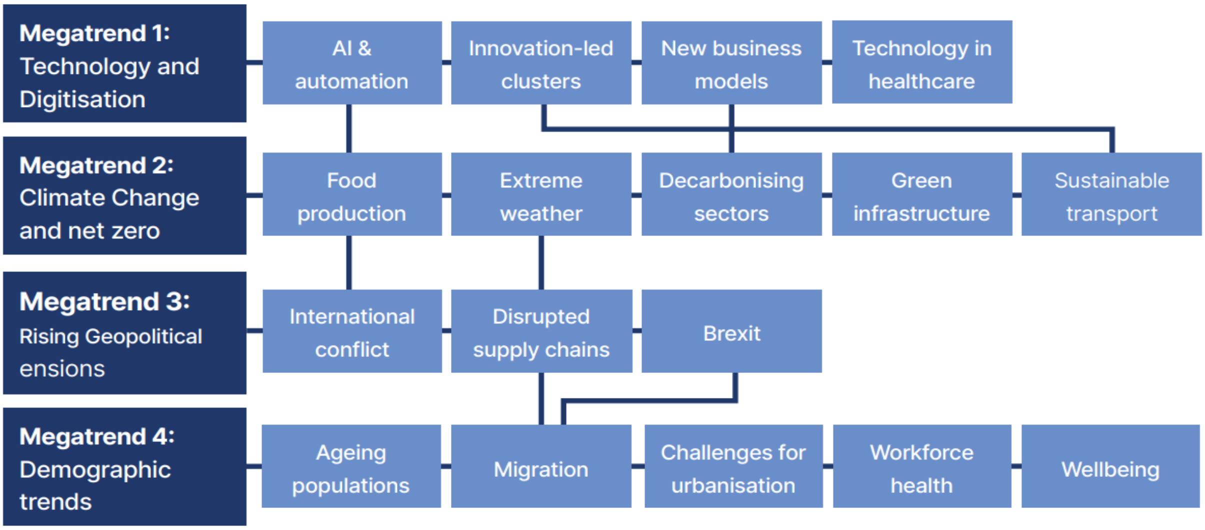
The Midlands is **home to a great zero carbon energy cluster**. For over a century, the Midlands has developed technologies, and pioneered new ways of generating energy for homes, businesses, schools and hospitals**. One in four of all energy and low carbon jobs, in England, are in the Midlands**. Through our world-class facilities, research expertise, invention and talent, universities across the Midlands are a global driving force in the development of zero carbon technology and energy generation.

4. Wider Macroeconomic Considerations

Megatrends in the Midlands

Midlands Engine has recently published their [Megatrends report] and its associated [Insight Summary]. The report finds that **Megatrends are large-scale trends that affect individuals, communities, wider society and the environment**. They can have significant consequences and scarring effects on different places, sections of the population and the economy. If the Midlands is to strengthen its collective approach to support sustainable, inclusive growth, then understanding the four key megatrends and their implications for the region is vital. The report sets them our as:

The four identified megatrends and their interrelationships



Technology and digitisation

Includes the rapid advancement of new technologies like generative AI (Artificial Intelligence) and maturing uses of older technology such as teleconferencing. A foci of this megatrend is rapidly evolving AI and automation which is impacting various sectors include those which the Midlands specialises in. But the impact of AI is still unfolding with **broad occupational categories showing that higher skilled groups tend to be less at risk, on average 32% at risk of automation compared to 62% of elementary occupations**. **The Midlands was also found to have a slightly higher risk than the English average** (47.9 compared to 46.1) and **contains six of the top ten local authorities most at risk of automation**. Other areas of the region were found to be relatively low risk.

Climate Change and net zero

Considers how a changing climate and our policy response to it will impact how we produce food and the energy to heat our homes and workplaces. One area adversely affected by **climate change is rising temperatures causing crop failure triggering knock-on effects** on the food supply chain leading "Climateflation" i.e., growing food costs. Extreme weather is also known to affect health and productivity with the rising global temperatures leading to more hot days in the UK. Their associated **heat stress can lead to increased demand for air conditioning impacting energy usage and net zero goals**. **Flooding is also a specific issue in the region with 1.3m ha of agricultural land being destroyed in the East Midlands in 2007**. Decarbonisation is thus crucial, with significant changes needed for green infrastructure and industry which undoubtedly will reshape various sectors bringing new challenges and opportunities.

Rising geopolitical tensions

Explores how attitudes to trade and production may be changing in a more uncertain world. **The World Economic Forum (WEF) has even gone as far as making geoeconomic confrontation its 3rd biggest risk over the next 2 years.** Rising tensions such as Russia's invasion of Ukraine, Brexit, the COVID-19 pandemic, 'semiconductor nationalism', and supply chain disruptions are reshaping the global economic landscape leading to focus on regionalisation, resilience and reassessment of trade policies. These tensions have implications for various sectors and regions, with some industries experiencing ongoing challenges like skill shortages and protectionist policies.

Demographic trends

Looks at how concurrent trends of ageing populations, changing migration patterns and rising long-term sickness will impact the region. Population ageing for example is a long-term global trend driven by increased life expectancy, where **in 2015 12.3% of the global population was aged 60 and over, projected to rise to 16.4% in 2030 and 21.3% in 2050.** Other demographic trends include international migration patterns which play a significant role in the UK's economic growth and demographic makeup, housing affordability, urbanisation, workforce health and wellbeing.

The Productivity Agenda

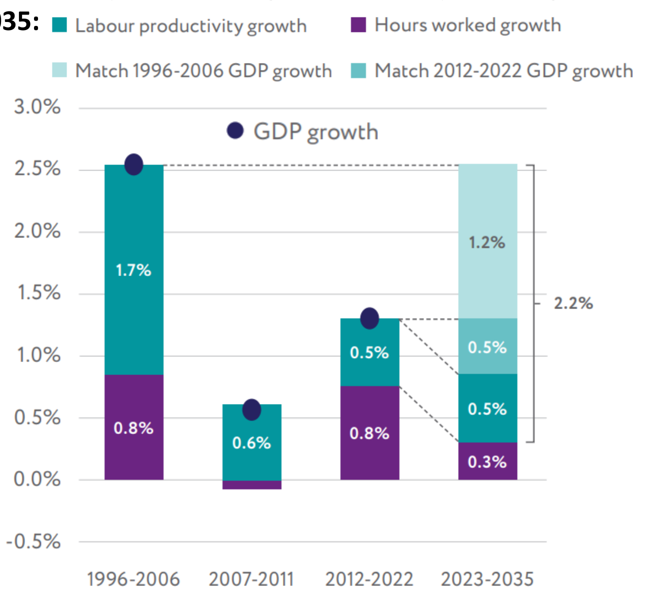
The Productivity Institute's (TPI) productivity agenda provides a blueprint for how the public and private sector can be better equipped to translate productivity gains into improved living standards. This summary provides an overview of each chapter's key takeaways with a larger focus on chapter 1.

Chapter 1: The UK's productivity challenge: people, firms, and places

The UK's Productivity Challenge

The UK faces a tough productivity challenge. With its productivity growth slowing for the past 15 years, additional working hours have been contributing more to GDP growth than better productivity. **Many UK firms have been following an unsustainable low wage, low investment, low productivity path.** Tackling the challenge will require coordinated action under three pillars: people, firms, and places. **From 2010 to 2022 the UK has experienced low productivity with annual average growth in UK GDP per hour was just 0.5 per cent**. This low productivity is affecting the resilience of the UK economy and makes it vulnerable to economic shocks.

GDP Growth Decomposed into Total Hours and Labour Productivity, United Kingdom, annual percentage 1996 – 2035:



Source: Until 2022, ONS; 2023-35 projection, The Conference Board

TPI identifies three fundamental issues which need to be tackled urgently to close the productivity growth gap:

- **Chronic and broad-based underinvestment in the UK Economy.** Including especially within manufacturing, finance and insurance, and business services.
- **Inadequate diffusion of productivity-enhancing practices between firms and places.** Especially caused by stagnant FDI patterns and the UK's lack of integration in deeper global supply chains.
- **Institutional fragmentation and lack of joined-up policies.** Particularly caused by a lack of 'mid-level' governments at regional level.

Key Takeaways

- The UK needs to develop an integrated range of pro-productivity policies and commit to them for the long-term
- Pro-productivity policies need to address the performance of people, firms and places.
- The key challenges to address are for the country to invest again, improve knowledge diffusion and join up institutions for growth.
- Pro-productivity policies need to be co-ordinated vertically between national, devolved nations, regional and local governments.

Chapter 2: Investing for the long-run

- Investment should be high in public spending priorities and policy design.
- Reduce the costs of undertaking large investment projects.
- Create a stable and expansionary set of economic policies.
- Investment policies crucial to achieving transition to net zero.

Chapter 3: The changing landscape of firm-level productivity: anatomy and policy implications

- In England, the business support network has become increasingly confusing. A simpler and more stable policy environment would be beneficial for UK firms' productivity, while streamlining multiple support schemes could encourage SMEs to access them.
- Larger firms could receive grant support for development projects to collaborate more with SMEs.
- Direct measures are needed to promote networking and knowledge sharing between co-located firms.
- Give more weight to localised support for productivity enhancing innovation.

Chapter 4: Productivity, innovation and R&D

- The UK has experienced a long period of disinvestment in R&D, in both state and private sectors. But in rebuilding the innovation economy there needs to be as much focus on translation and innovation diffusion as on discovery.
- The national R&D landscape needs to respond to national challenges such as the transition to net zero and stresses in the health and social care system.
- The innovation ecosystems in economically lagging regions need to be rebuilt, strengthening institutions for R&D and innovation diffusion.

The Productivity Agenda

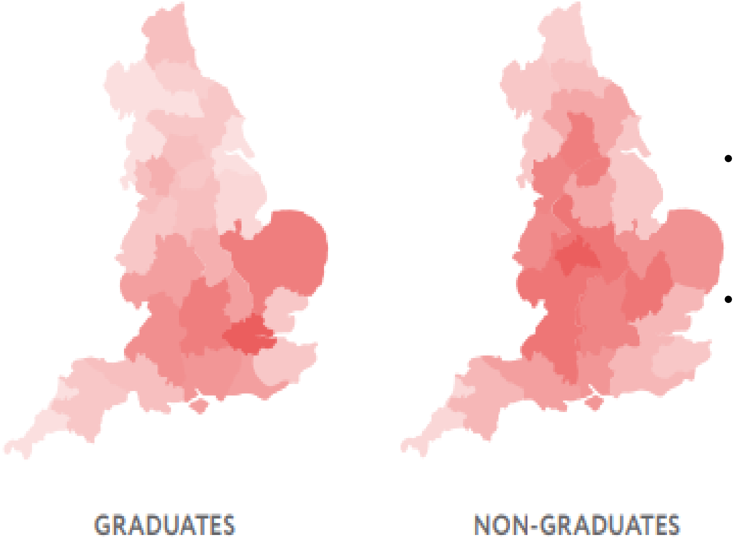
Chapter 5: Why isn't digitalisation improving productivity growth?

- There are emerging areas where the use of data across a whole supply chain or cluster of businesses will be needed to deliver the potential productivity benefits of digital technologies.
- Resisting the lobbying of big tech companies to enable new entry in relevant markets will be essential for the UK to take advantage of its strengths in areas of AI innovation.
- Investment will be needed in data and in organisational change to get the full productivity benefits of digital technology.
- The UK skills shortfall needs even greater focus and investment in appropriate skills is required.

Chapter 6: Skills for productivity growth

- With employer needs changing, the UK's policy architecture is inadequate for a high productivity, high skill growth model, beset by skill mismatches, regional disparities, underinvestment, policy churn and policy fragmentation
- Adequate skills funding will require sustained, long-term reform, and extreme policy churn needs to end.
- Labour rights and social protection for platform workers will ensure employers pay the full costs of using such workers.
- Giving English regional mayors more powers over skills is a step in the right direction.

Regional Patterns of Job Advertisements Per 1,000 Resident Population, Average 2015-2018, England:



Source: Until 2022, ONS; 2023-35 projection, The Conference Board

Chapter 7: The green transition: net zero as an opportunity to improve productivity

- Need to appreciate the multi-faceted nature of the net zero transition – no single policy intervention will bring about change.
- Unlocking the business opportunity of net zero requires action on both the supply and demand side.
- Investing in a net zero economy might be a matter of essential insurance for companies to sustain productivity levels in the long run.

Chapter 8: Public sector productivity: managing the Baumol cost disease

- Further public sector efficiency gains will be hard to achieve through cost-cutting measures.
- Broaden the scope of public sector productivity to include organisational productivity and effectiveness
- The three main areas on which pro-productivity policies in the public sector should focus are an adaptive organisation design, continuous innovation, and an agile workforce.
- Increased trust between citizens and public sector officials is an important step in boosting public sector productivity, especially at the local level.

Chapter 9: Regional productivity inequalities, potential causes and institutional challenges

- More consideration is needed into what kinds of capability and expertise are needed from increased devolution.
- Without institutional reform the UK's regional productivity divergence cannot be addressed.
- Productivity differences in the UK regions have been increasing for 35 years.

Chapter 10: A new UK policy institution for growth and productivity: a blueprint

- Addressing the UK's productivity problem requires increased long-term investment in physical, human and intangible capital, and a new Growth and Productivity Institution (GPI) would help to ensure that the appropriate policies are in place.
- Such a body, placed on a statutory footing to ensure it survives political churn, would provide independent expertise and credibility to shape effective, coordinated and lasting pro-productivity policy.
- Through conducting inquiries into key areas, monitoring and evaluating policy, and regular reporting to Parliament, combined with extensive stakeholder consultation, coordination and communication, a new GPI would help with the politics of making difficult decisions where positive outcomes are likely to be felt over the long term.
- Experiences setting up similar institutions in other advanced economies, and independent institutions in other areas of policy in the UK provide lessons for the design of a new GPI in the UK.

Midlands Productivity Scorecards

The Productivity Institute's (TPI) productivity scorecards assess the UK's subregional productivity performance through a range of productivity indicators and drivers. The below ITL3 scorecards are set to provide a higher level of granularity and compliment ITL1 productivity scorecards published in January 2023. These scorecards are comprised of five productivity indicators (which include are further captured by another 15 indicators) including **Productivity, Business Performance & Characteristics, Skills, Health & Wellbeing, and Investment, Infrastructure & Connectivity.**

The East Midlands generally falls behind relative to the UK average, this is largely due to disparity between counties and groups of unitary authorities. This is evident in South Nottinghamshire which is the only area to be "steaming ahead" whilst West Northamptonshire, Derby, Leicestershire and Rutland, Nottingham, and North Northamptonshire are falling behind. Despite a mixed picture the East Midlands seems to perform best in **fibre connectivity** and weakest in **export intensity.**

The West Midlands on the other hand is catching up relative to the UK average, however, faces the same issues as the East Midlands due to disparity between areas. For example, Solihull, Coventry and Warwickshire, despite being in a state of either "losing ground" or "catching up" perform drastically better relative to Staffordshire, Dudley or Shropshire. The West Midlands performs best in **new businesses** and weakest in **intangibles per job**.

East Midlands ITL3 Scorecard, 2021:

ITL Classification	itl	TLF	TLF16	TLF13	TLF12	TLF21	TLF24	TLF11	TLF22	TLF30	TLF14	TLF15	TLF25
	itlname	East Midlands	South Nottinghamshire	South and West Derbyshire	East Derbyshire	Leicester	West Northamptonshire	Derby	Leicestershire and Rutland	Lincolnshire	Nottingham	North Nottinghamshire	North Northamptonshire
Productivity	Taxonomy relative to the UK	Falling behind	Steaming ahead	Catching up	Catching up	Catching up	Falling behind	Falling behind	Falling behind	Catching up	Falling behind	Falling behind	Falling behind
	Taxonomy relative to ITL1		Steaming ahead	Steaming ahead	Steaming ahead	Steaming ahead	Losing ground	Losing ground	Losing ground	Catching up	Falling behind	Catching up	Falling behind
	GVA per hour worked	£33.22	£39.33	£36.77	£36.68	£34.09	£33.57	£33.50	£33.30	£32.15	£32.03	£29.81	£28.88
Business performance & characteristics	Export Intensity	22.5%	10.2%	28.7%	15.9%	10.4%	22.6%	100.5%	17.1%	11.2%	17.9%	16.6%	22.0%
	New Businesses	11.8%	12.7%	11.0%	10.7%	14.2%	11.0%	13.9%	10.3%	11.3%	13.2%	13.0%	12.2%
Skills	Low Skilled	19.2%	15.4%	21.2%	16.0%	19.6%	18.2%	17.4%	14.7%	21.7%	22.2%	24.4%	19.0%
	High Skilled	35.7%	40.7%	35.3%	40.3%	35.2%	30.4%	42.0%	40.8%	32.5%	41.9%	27.8%	29.4%
Health & wellbeing	Active	77.7%	81.0%	77.6%	78.6%	68.1%	80.1%	76.7%	83.1%	76.6%	75.6%	73.6%	80.4%
	Inactive due to Illness	24.7%	22.6%	24.2%	32.0%	15.7%	24.5%	31.1%	22.1%	26.3%	32.5%	27.6%	17.1%
	Working Age	60.3%	61.0%	60.4%	60.7%	64.0%	58.6%	61.2%	58.5%	57.4%	69.7%	60.3%	59.0%
Investment, infrastructure & connectivity	4G connectivity	79.3%	82.0%	81.4%	81.3%	96.2%	80.3%	94.1%	71.8%	68.9%	95.1%	72.2%	79.9%
	Fibre connectivity	22.3%	31.5%	22.5%	24.3%	24.1%	41.5%	46.9%	14.3%	9.3%	32.8%	11.3%	21.6%
	GFCF per job												
	ICT per job												
	Intangibles per job												

West Midlands ITL3 Scorecard, 2021:

ITL Classification	itl	TLG	TLG32	TLG33	TLG13	TLG12	TLG31	TLG21	TLG37	TLG39	TLG24	TLG36	TLG22	TLG23	TLG38	TLG11
	itlname	West Midlands	Solihull	Coventry	Warwickshire	Worcestershire	Birmingham	Telford and Wrekin	Sandwell	Wolverhampton	Staffordshire	Dudley	Shropshire	Stoke-on-Trent	Walsall	Herefordshire
Productivity	Taxonomy relative to the UK	Catching up	Losing ground	Losing ground	Catching up	Catching up	Falling behind	Catching up	Catching up	Catching up	Falling behind	Catching up	Falling behind	Falling behind	Catching up	Catching up
	Taxonomy relative to ITL1		Losing ground	Losing ground	Losing ground	Steaming ahead	Falling behind	Catching up	Catching up	Catching up	Falling behind	Catching up	Falling behind	Falling behind	Catching up	Catching up
	GVA per hour worked	£33	£43.66	£37.79	£37.53	£33.07	£32.34	£32.06	£31.55	£31.09	£30.89	£29.98	£29.80	£29.53	£29.37	£26.73
Business performance & characteristics	Export Intensity	23.8%	48.5%	29.3%	29.6%	12.2%	21.8%	46.5%	14.7%	27.4%	21.8%	10.5%	12.3%	23.0%	24.4%	12.6%
	New Businesses	11.9%	9.8%	13.1%	10.4%	11.6%	14.6%	16.6%	16.9%	14.1%	9.3%	9.7%	8.3%	14.4%	13.0%	9.1%
Skills	Low Skilled*	18.5%	13.1%	17.4%	14.3%	15.4%	19.8%	19.1%	29.1%	22.3%	15.9%	22.2%	15.6%	22.4%	21.7%	14.5%
	High Skilled	37.0%	42.9%	38.8%	47.6%	38.0%	37.4%	30.3%	26.8%	31.4%	40.3%	30.8%	39.3%	28.3%	27.7%	41.4%
Health & wellbeing	Active	77.8%	81.6%	76.0%	82.4%	80.8%	71.8%	78.6%	75.2%	76.6%	81.7%	76.8%	80.8%	77.7%	76.6%	80.5%
	Inactive due to Illness*	23.6%	19.7%	21.3%	22.3%	24.9%	21.0%	28.2%	21.6%	22.6%	29.3%	25.0%	19.4%	34.6%	21.4%	25.6%
	Working Age	60.7%	58.3%	64.9%	58.4%	58.6%	64.5%	60.2%	62.4%	61.5%	59.3%	59.4%	56.1%	61.6%	60.4%	56.9%
Investment, infrastructure & connectivity	4G connectivity	79.3%	82.1%	83.2%	78.7%	75.9%	87.8%	77.3%	91.5%	85.9%	74.5%	79.7%	62.0%	80.0%	75.7%	65.1%
	Fibre connectivity	16.8%	22.2%	67.2%	10.7%	9.3%	33.4%	5.5%	11.2%	1.8%	11.3%	1.9%	6.5%	1.0%	11.1%	17.1%
	GFCF per job	£9,112	£8,639	£14,494	£14,105	£7,373	£7,430	£8,749	£10,099	£8,065	£8,376	£10,432	£7,414	£7,810	£5,969	£7,909
	ICT per job	£380	£445	£640	£554	£276	£261	£230	£331	£337	£304	£1,041	£361	£340	£237	£208
	Intangibles per job	£2,399	£3,009	£4,791	£6,735	£1,808	£1,522	£2,032	£1,019	£1,100	£1,714	£1,773	£1,078	£1,162	£1,002	£1,881

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In Partnership: