MIDLANDS ENGINE QUARTERLY ECONOMIC COMMENTARY

AUGUST 2019

MIDLANDS ENGINE

Economic Observatory

Introduction

Welcome to the third edition of the Midlands Engine Quarterly Economic Commentary. This report is produced by the Midlands Engine Economic Observatory which is a partnership commissioned by the Midlands Engine.

The purpose of the report is to provide intelligence that can inform, support and influence important decision making to ensure strategy and policy is evidence led. The report will be produced on a quarterly basis with each quarter reporting on the latest data to be released. The first quarter in March focused on the Economy with the main emphasis on GVA. The second report centred on people with the main focus on qualification levels. This third report in August will focus on place, population and dwelling stock analysis. The fourth report in November will focus on businesses and jobs.

The report is supported by a master spreadsheet of data which contains a selection of headline indicators from national data sources. The data can be downloaded via the Midlands Engine website (www.midlandsengine.org) and is updated as soon as national data is released. The indicators are made available at Local Authority level.

We welcome any feedback on the content and format to ensure this report meets the needs of partners. Please forward any feedback to info@midlandsengine.org

Contents:

Glossary:

Gross Disposable Household Income Per Person: The amount of money available for an individual within the household sector for saving or spending after direct and indirect taxes have been deducted and any direct benefits have been received.

Population Mid-2018: Standard reference date of 30th June each year.

Foreign Direct Investment: Cross-border investments from one country into another to establish a lasting interest in an enterprise.

Key Messages in Context

Gross Disposable Household Income (GDHI) per Person

- GDHI per person in the Midlands Engine area has increased from £12,503 in 2004 to £16,667 in 2017. However, there is still a £2,847 gap to reach the UK average of £19,514.
- The Midlands Engine GDHI per person has increased by an average of 2.2% since 2004, compared to an average increase of 2.6% across the UK.

Population

- The Midlands Engine population is continuing to grow, reaching 10,249,413 residents in mid-2018. The Population has increased by 4.0% since 2013, above the UK average growth of 3.6%.
- The least populated LEP within the Midlands Engine is Worcestershire, with only 592,057 residents. D2N2 is the most populated LEP, with 2,207,511 residents.
- The BCLEP has the second highest proportion of the population aged 0-15 years old across all LEPs in mid-2018.

Dwelling Stock

- In 2018, there were 4,381,650 dwellings in the Midlands Engine area. Since, 2001 the dwelling growth rate has been consistently similar to that of England. Over this period, the growth rate varies from 0.5% to 1.0%. In 2018 the growth rate has been 0.9% for England and the Midlands Engine.

Regional Foreign Direct Investment

- Since 2015-16, the number of FDI projects in the Midlands Engine regional area decreased from 253 to 225 (-11.1%), while the UK increased by 2.3% in 2016-17. This was followed by an increase to 243 FDI projects (+8.0%) in 2017-18 while the UK decreased by 8.5%. Following UK trends in 2018-19, the Midlands Engine decreased to 224 FDI projects (-7.8%) with the UK decreasing by 14.0%.
- The Midlands Engine regional area experienced a decrease in new jobs created by FDI projects from 14,797 in 2015-16 to 8,366 in 2016-17 (-43.5%) with the wider UK decreasing by 9.0%. This was followed by an increase 13,138 (+57.0%) new jobs created in 2017-18 while the UK only increased by 1.0%. Following the UK trend, in 2018-19 the total number of new jobs created dropped down to 6,867 jobs (-47.7%) in the Midlands Engine regional area while the UK decreased by 24.1%.

Carbon Dioxide Emissions

- Since 2013, the Midlands engine tonnes per capita has reduced from 7.6 to 6.3. To reach the England average requires a reduction of 1.2 tonnes per capita to reach 5.1 tonnes per capita.
- The total emissions emitted between 2005 and 2017 has reduced by 29.4% compared to the England average reduction of 33.7%. The total amount of emissions produced is the lowest ever since 2005 in the Midlands Engine.
- Carbon reduction efforts need to be increased in order to meet the 2050 target of net zero emissions (Climate Change Act 2008). In order to meet net zero by 2050, emissions across the Midlands Engine would have to reduce annually by 32% from 2020, reaching near net zero (less than 1 Kt CO2) by 2050.

Business Innovation

- Within 10 key innovation indicators, across the 9 Midlands LEPs 90 individual measurements of business innovation are utilised for the region (2019 study). Within these, 47% of Midlands Engine LEP results are above the national average for all LEPs; and this has increased from 40% since the 2017 study.
- This increase has been driven by progress within marketing innovation, co-operation, R&D, design and sales innovation, with particular improvements in BCLEP, D2N2 LEP and GBSLEP.
- CWLEP has the most amount of indicators in which it is above the all LEP average: 9 out of 10.

Key Statistics

6.3 Tonnes per Capita CO_2 emissions in 2017

-0.3 Midlands Engine

-0.3 England

(2016 – 2017)

Gross Disposable Household Income per person is £16,667 in 2017

+0.8% Midlands Engine

+1.0% UK

(2016 – 2017)

4,381,650 Dwelling Stock in 2018

+0.9% Midlands Engine

+0.9% UK

(2017 – 2018)

6,867 New Jobs created from Foreign Direct Investment Projects in 2018/19

- 47.7% Midlands Engine

- 24.1% UK

(2017/18 – 2018/19)

The number of business innovation indicators in which Midlands Engine LEPs are above the UK average is growing

+6 more indicators above nat. avg. compared to 2017 (+17%): 36 to 42 out of 90 (47%).

(2014 – 2016)

224 Foreign Direct Investment Projects in 2018/19

- 7.8% Midlands Engine

- 14.0% UK

(2017/18 – 2018/19)

Total Carbon Dioxide emissions are decreasing

-3.4% Midlands Engine

-3.6% England

(2016 – 2017)

Population is growing and stands at 10,249,413

+0.7% Midlands Engine

+0.6% UK

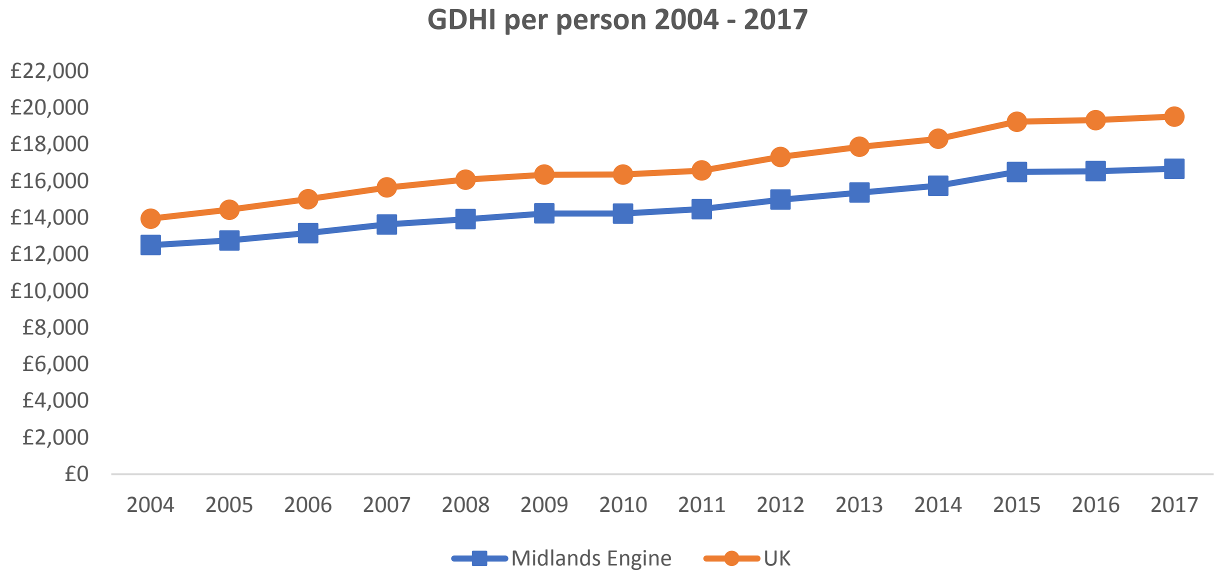
(2017 – 2018)

Unless otherwise stated, the data for the Midlands Engine area relates to the 64 LA's contained across the 9 LEPs.

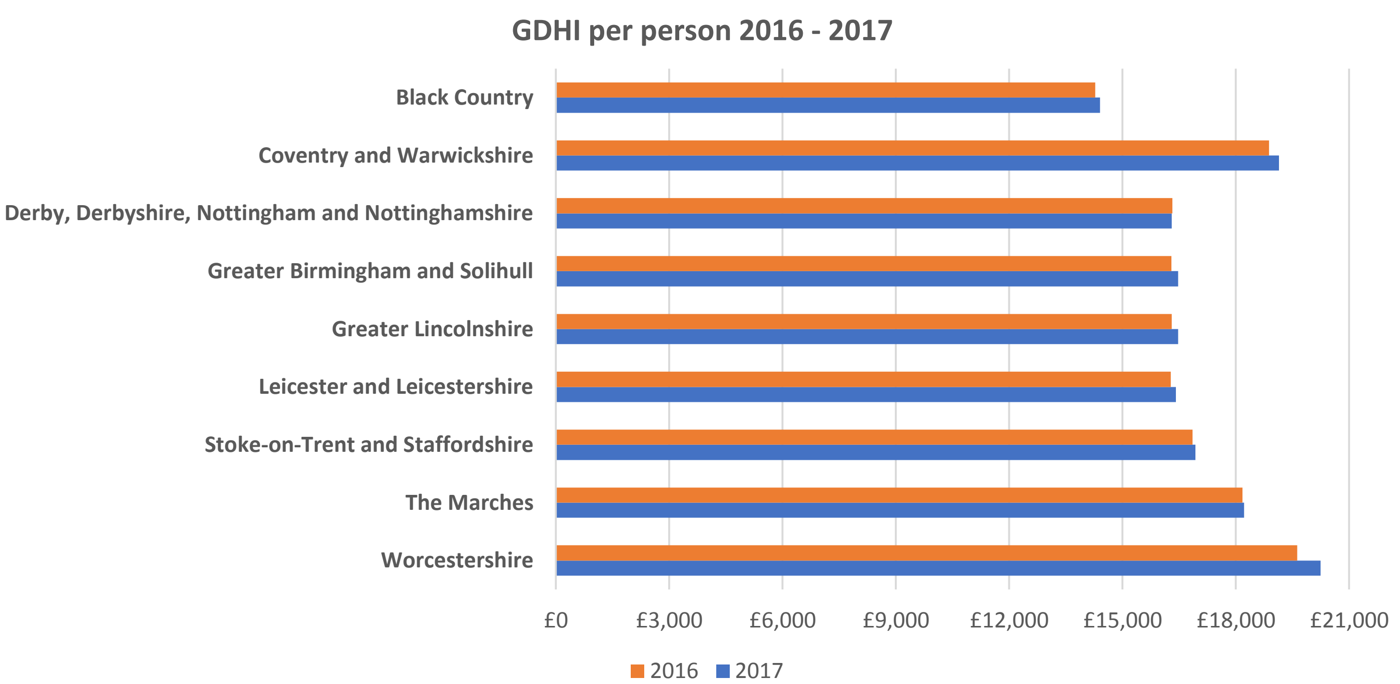
Gross Disposable Household Income per Person

- Total Gross Disposable Household Income (GDHI) relates to all individuals within the household sector rather than the average household. The Midlands Engine total GDHI in 2017 reached £170bn, which is a 1.7% (+£2.8bn) increase from 2016 and above the average UK growth rate of 1.6%.

- GDHI per person in the Midlands Engine area was £16,667 in 2017, an increase of 0.8% (+£133) from 2016 while the UK increased by 1.0% over the same period. GDHI per person on average in the UK was £19,514 leading to a shortfall in the Midlands engine area of £2,847 per person.



- Areas with a higher GDHI per person in 2017 include; Worcestershire with £20,243, and Coventry and Warwickshire with £19,146. While areas with a lower GDHI per person in 2017 are; the Black Country with £14,403 and Derby, Derbyshire, Nottingham and Nottinghamshire with £16,303.



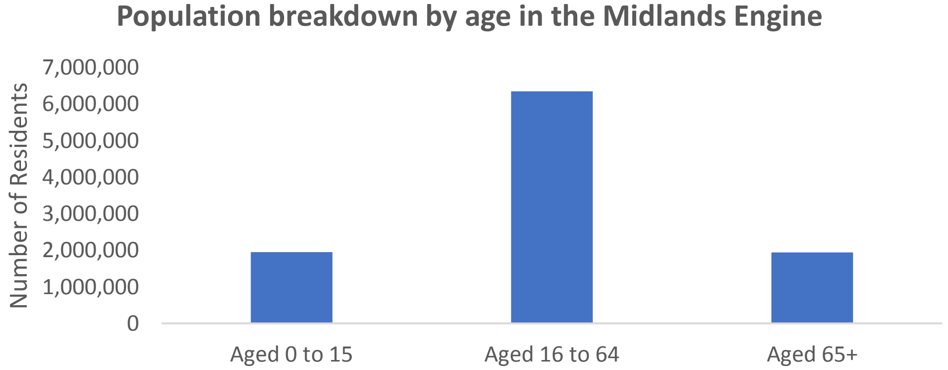
Source: ONS, Regional gross disposable household income, May 2019

Population

- Total population is continuing to grow in the Midlands Engine area and stands at 10,249,413 residents in mid-2018 with 51% of the population female and 49% male.

- Since mid-2017, the population has grown by 0.7% (+66,604 people) which is slightly above the UK average of 0.6%. The population change can be linked to four components, which include the following; births minus deaths, with the Midlands Engine experiencing 13,775 more births. Secondly, net internal migration where there was an increase of 17,426 people. Thirdly, net international migration increasing by 35,352 people and finally other which accounts for 51 people.

- The Midlands Engine population structure is similar to the UK breakdown with 19.1% (1,957,299) of residents in the midlands engine area aged between 0-15 years old while the UK has 19.0%, and 62.0% (6,351,283) of people are aged between 16-64 years old in the Midlands Engine area compared to 62.7% for the UK.



- Within the Midlands Engine LEP level area, Greater Birmingham and Solihull LEP had more births than deaths at 7,925, in contrast Greater Lincolnshire had 1,545 less births compared to the number of deaths.

- Greater Birmingham and Solihull and the Black Country experienced a net internal migration loss of 7,303 people and -891 people respectively. Derby, Derbyshire, Nottingham and Nottinghamshire had the highest net internal migration gain within the Midlands Engine geography with +7,108 people.

- Coventry and Warwickshire LEP area had the highest net international migration within the Midlands Engine at 8,593 people while in Worcester there was an increase of 1,074 people.

	Mid-2017 Population	Births minus Deaths	Internal Migration Net	International Migration Net	Other	Mid-2018 Population
Black Country	1,186,098	3,438	-891	4,700	45	1,193,390
Coventry & Warwickshire	924,711	1,678	2,767	8,593	46	937,795
Derby, Derbyshire, Nottingham & Nottinghamshire	2,196,060	1,109	7,108	3,270	-36	2,207,511
Greater Birmingham & Solihull	2,031,281	7,925	-7,303	8,482	-63	2,040,322
Greater Lincolnshire	1,082,291	-1,545	4,662	2,223	28	1,087,659
Leicester & Leicestershire	1,043,752	2,885	2,933	3,942	-26	1,053,486
Stoke-on-Trent & Staffordshire	1,126,203	-125	2,443	2,496	35	1,131,052
The Marches	684,268	- 831	5,046	1,621	76	690,180
Worcestershire	588,370	-558	3,215	1,074	-44	592,057
Midlands Engine (LEP)	10,863,034	13,976	19,980	36,401	61	10,933,452
Midlands Engine (LA)	10,182,809	13,775	17,426	35,352	51	10,249,413

Sources: ONS, Population Estimates for the UK, England and Wales, Scotland and Northern Ireland: Mid-2018, June 2019

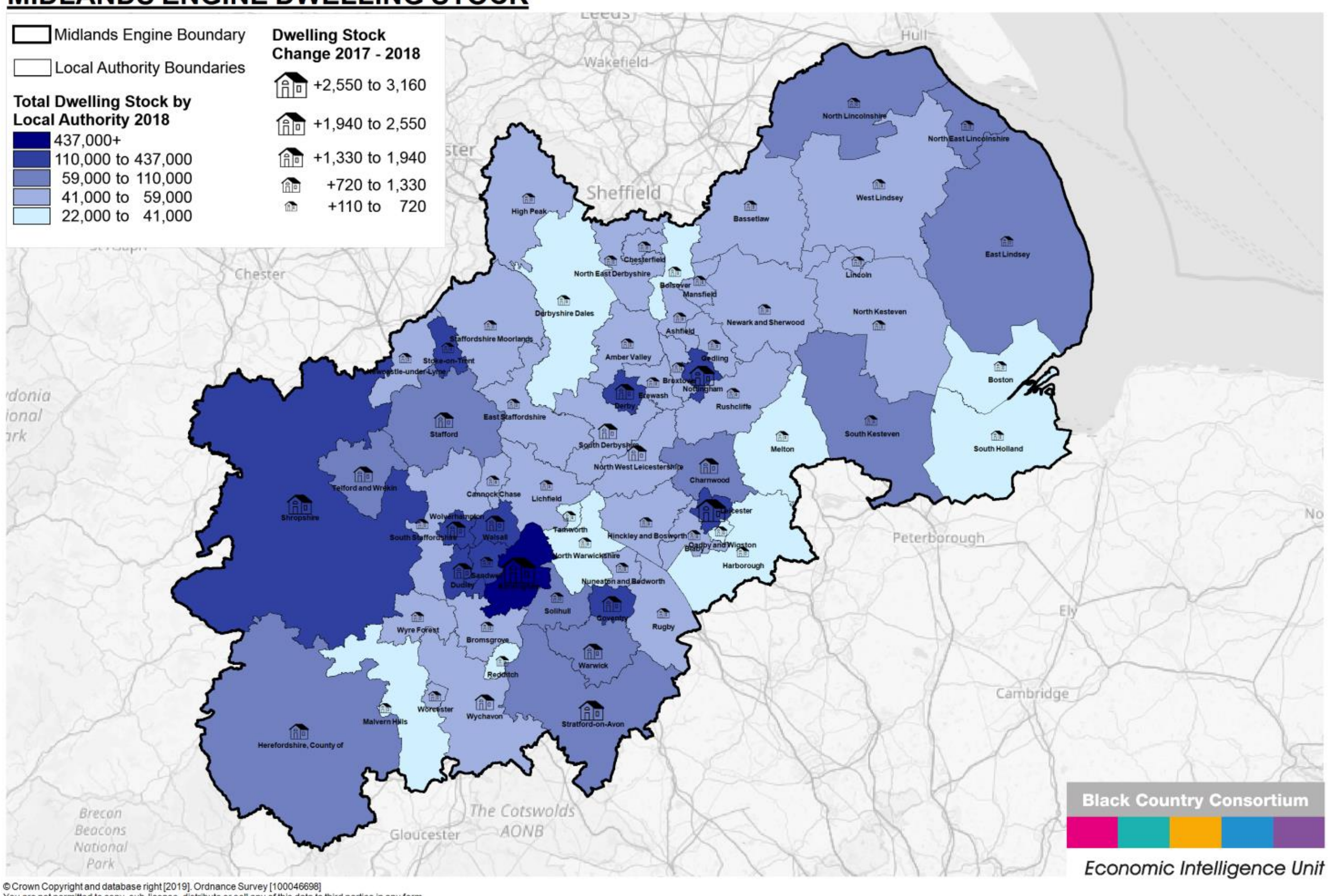
- There were 4,381,650 dwellings in the Midlands Engine area in 2018, an increase of 0.9% (+39,610 dwellings) from 2017 which matches the national average growth rate.

- Across the Midlands Engine area, Birmingham had the highest increase in total dwelling stock from 2017 to 2018 at 3,160 to reach a total of 437,350 dwellings. This was followed by Leicester with an increase of 1,950 dwellings (to 135,680 total dwellings) and Shropshire at +1,880 dwellings (to 144,310 total dwelling stock).

- 82.6% (3,619,800) of the dwelling stock was private sector owned in 2018, an increase of 1.0% (+36,920) from the previous year. Private registered owned also increased from 2017 by 1.9% (+7,460) and accounts for 9.1% (399,420) of the total dwelling stock in 2018.

- There was a reduction in dwelling stock owned by other public sector by 23.1% (-1,760) to account for 0.1% (5,870) of the total and also local authority owned which decreased by -0.8% (-3,050) to account for 8.1% (356,570) of the total.

MIDLANDS ENGINE DWELLING STOCK



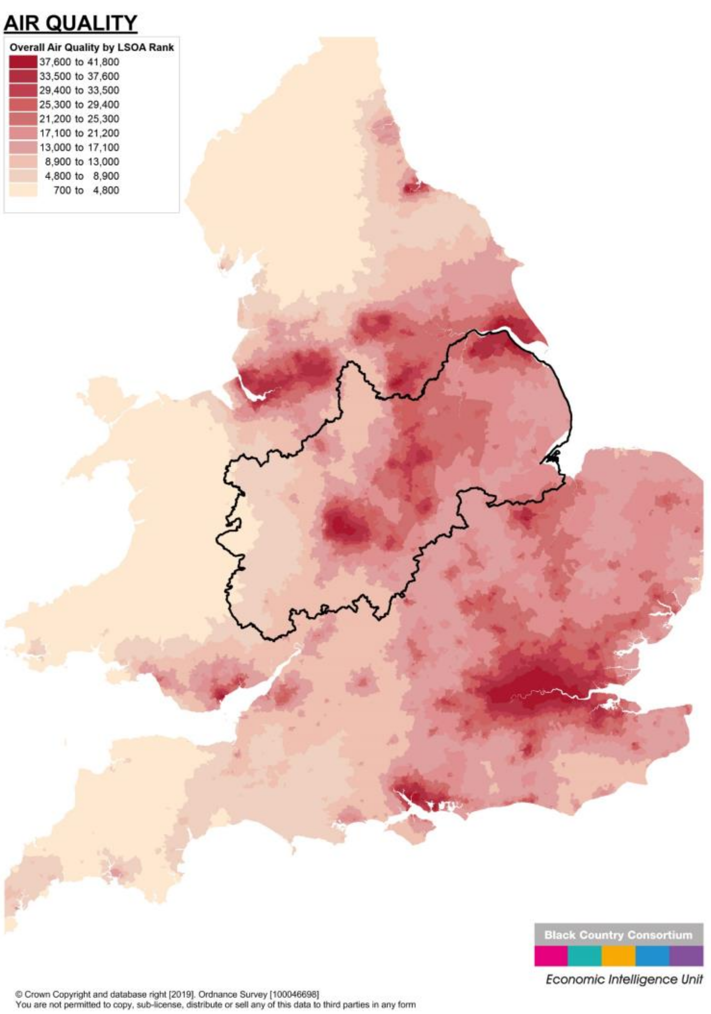
Source: Ministry of Housing, Communities & local Government (MHCLG), Live tables on dwelling stock, May 2019

Carbon Dioxide Emissions and Air Quality

- The Midlands engine area produced a total of 63,983 Kt CO_2 emissions in 2017, this is a decrease from 2016 by 3.4% (-2,265 Kt CO_2). This equates to 6.3 tonnes per capita, a decrease from 6.6 tonnes in 2016. In total, England produced 284,921 Kt CO_2 emissions, which is a decrease of 3.6% (-10,765 Kt CO_2) from 2016. England's tonnes per capita was 5.1 in 2017 a decrease from 5.4 in 2016.

	Industry and Commercial	Domestic	Transport	N. LULUCF[1] Net Emissions	Grand Total	Per Capita Emissions (t)
Midlands Engine 2017	27,438	15,335	21,678	- 467	63,983	6.3
Midlands Engine 2016	28,986	6,087	21,613	- 438	66,248	6.6
Change	-1,548	- 752	65	- 30	-2,265	-0.3
% change	-5.3%	-4.7%	0.3%	6.8%	-3.4%	-4.5%

- Air quality is measured using Nitrogen Dioxide (NO_2), Particulate Matter 10 (PM_{10}) and Sulphur Dioxide (SO_2). In 2017, the overall air quality index for the Midlands Engine was on average at 24 which is below the England average value of 26. Emissions range from 1.3 SO_2 in the Midlands Engine to 13.4 PM_{10}. The map below displays the air quality ranking per LSOA across England.



Source: Department for Business, Energy & Industrial Strategy, UK local authority and regional carbon dioxide emissions, June 2019 and Consumer Data Research Centre, Access to Healthy Assets and Hazards (AHAH), 2019.

[1] Land use, land-use change and forestry (LULUCF)

Regional Foreign Direct Investment

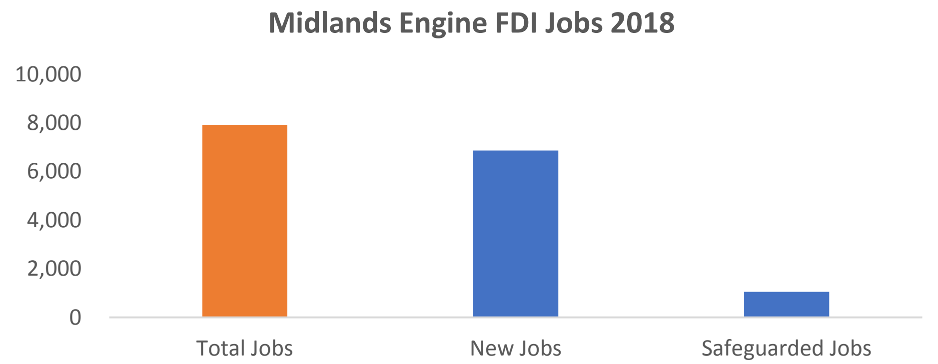
- Regionally, the East Midlands and the West Midlands had a total of 224 Foreign Direct Investment (FDI) projects in 2018/19 (69 projects and 155 projects respectively), this is a slight decrease from 2017/18 at -7.8% (19 less projects), mirroring the UK trends where there was a -14.0% decrease to 1,782 projects. Combined, the East and West Midlands accounts for 12.6% of the UK total FDI projects in 2018/19.

FDI Projects					
	2017-18	**2018-19**	**Change**	**% Change**	**% of Total**
Multiple UK sites	61	52	-9	-14.8%	2.9%
North East	69	59	-10	-14.5%	3.3%
North West	139	142	3	2.2%	8.0%
Yorkshire and The Humber	107	98	-9	-8.4%	5.5%
East Midlands	72	69	-3	-4.2%	3.9%
West Midlands	171	155	-16	-9.4%	8.7%
East of England	94	87	-7	-7.4%	4.9%
London	740	627	-113	-15.3%	35.2%
South East	294	202	-92	-31.3%	11.3%
South West	99	79	-20	-20.2%	4.4%
Scotland	141	126	-15	-10.6%	7.1%
Wales	57	51	-6	-10.5%	2.9%
Northern Ireland	28	35	7	25.0%	2.0%
UK Total	2,072	1,782	-290	-14.0%	
Regional Midlands Engine	243	224	-19	-7.8%	12.6%

- From the 224 FDI projects in 2018/19 the East and West Midlands regions created and sustained a total of 7,923 jobs, due to compressed data in 2017/18 for the East Midlands change over time is not available. The UK experienced a decrease of 91,031 total jobs in 2017/18 to 64,623 jobs in 2018/19 (-29.0%). The East and West Midlands account for 12.3% of the total UK jobs.

- Total jobs can be split into new jobs and safe guarded jobs. The East and West Midlands regions created 6,867 new jobs from FDI projects in 2018/19 a decrease of -47.7% from the 13,138 new jobs created in 2017/18. The wider UK also experienced a decrease over this period from 75,968 new jobs in 2017/18 to 57,625 new jobs in 2018/19 (-24.1%). Combined the East and West Midlands regions account for 11.9% of all UK new jobs.

- There were 1,056 safe guarded jobs in the East and West Midlands regions in 2018/19, due to compressed data for the East Midlands for 2017/18, change over time is not available. However, the West Midlands saw an increase from 315 safe guarded jobs in 2017-18 to 1,005 in 2018/2019 while the UK experienced a -53.5% decrease in the number of jobs safeguarded over the is period. The East and West Midlands accounts for 15.1% of the total safeguarded UK jobs.



Source: Department for International Trade, Inward Investment Results 2018-19, June 2019

Business Innovation

- Firms ability to innovate successfully plays an important role in their ability to sustain growth and competitiveness. The more innovative that local companies are the stronger the prospects for growth.

- The Enterprise Research Centre's (ERC) Benchmarking Local Innovation 2019 report utilises 10 benchmarks that align to three overarching areas, which are: forms of organisational and marketing innovation[2], inputs and structure of firms innovation activity[3] and outcomes from firms innovation[4] .

- Each benchmark is calculated by the percentage of firms within each LEP area and then ranked from 1 to 39 with the higher the rank the higher the percentage of firms within the LEP. Overall for the Midlands Engine LEPs, the percentage of firms that are selling innovative products or services is high, with Leicester and Leicestershire LEP having 45%, which is the 4th highest of all LEPs across England.

- In contrast, the percentage of firms engaged in radical innovation varies from 12.2% (9th) in Coventry and Warwickshire to 7.2% (30th) in Derby, Derbyshire, Nottingham and Nottinghamshire (out of 35 LEPs).

- The following table displays the rank of each Midlands Engine LEP (out of 39 LEPs) for the 10 benchmarks:

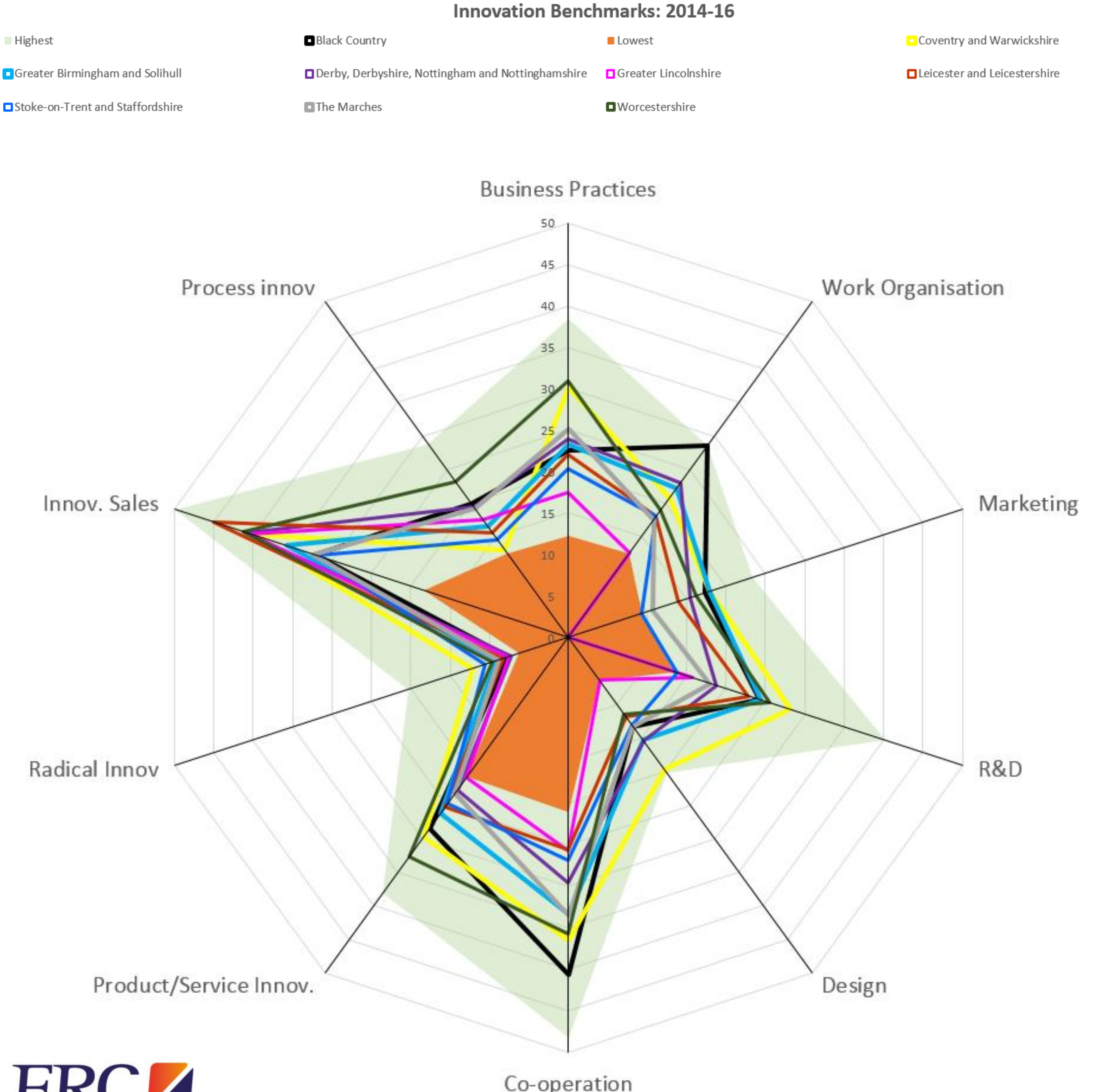
	Black Country	Coventry and Warwickshire	Derby, Derbyshire, Nottingham and Nottinghamshire	Greater Birmingham and Solihull	Greater Lincolnshire	Leicester and Leicestershire	Stoke-on-Trent and Staffordshire	The Marches	Worcestershire
Product/ Service Innovation	9	8	30	15	38	20	25	29	4
New to Market	26	9	30	17	27	23	12	20	14
Process Innovation	9	36	13	25	20	30	33	14	4
R&D	12	5	30	10	35	16	37	31	7
Collaboration	4	7	28	17	35	36	33	16	10
Introduction of New Business Practices	27	3	19	24	38	30	35	13	2
New Methods of Work Organisation	1	17	9	11	39	27	28	32	23
Marketing Innovation	9	7	14	6	-	21	36	35	12
Design Investment for Innovation	18	2	7	9	36	24	20	19	27
Sales of Innovative Products/Services	29	15	13	24	14	4	31	28	11

[2] These include firms engaged in the introduction of new business practices, work organisation and marketing.
[3] Firms engaged in R&D, design and collaboration as part of innovation activity.
[4] Firms engaged in product or service innovation, radical innovation, innovative sales and process innovation.

Source: Enterprise Research Centre (ERC), Benchmarking local innovation – the innovation geography of England, 2019

Business Innovation

- The following chart displays the 10 metrics that provide an indication of the proportion of firms in each area that is engaged in certain types of innovation:



ERC
Enterprise Research Centre

Source: Enterprise Research Centre (ERC), Benchmarking local innovation – the innovation geography of England, 2019

Indicator List

Indicators	Source	Update Due
Total GVA	ONS	Dec-19
GVA per head	ONS	Dec-19
GVA by sector	ONS	Dec-19
GVA per hour	ONS	Feb-19
GVA per employee	ONS/BRES	Dec-19
Total enterprise stock	ONS	Nov-19
Enterprise birth rate	ONS	Nov-19
Enterprises by sector	ONS	Oct-19
Total jobs	ONS, BRES	Sep-19
Jobs by sector	ONS	Sep-19
Inward Investment - Number of Regional FDI Projects	DIT	Jul-20
Exports	HMRC	Nov-19
Business Innovation	BEIS	TBC
Business Access to Finance	TBC	TBC
Mid-year population estimates	ONS	Jun -20
Life expectancy at birth - (males and females)	ONS	Dec-19
Gross Disposable Household Income per person	ONS	May-20
Average Annual Earnings - Workplace and residential based	ONS, ASHE	Oct-19
Employment Rate of working age population	ONS APS	Apr-20
Unemployment Rate of working age population	ONS APS	Apr-20
School Readiness - % of children achieving a good Level of development at the end of reception	GOV.UK	Oct-19 (P)
Progress 8 score	DFE	Oct-19 (P)
Number of apprenticeships by level	DFE Data Cube	Oct-19 (P)
% aged 16-17 NEET	DFE	Oct-19
% of WAP with NVQ 4+	ONS APS	Apr-20
% of WAP with NVQ 3	ONS APS	Apr-20
% of WAP with NVQ 2	ONS APS	Apr-20
% of WAP with NVQ 1	ONS APS	Apr-20
% of WAP with trade apprenticeships	ONS APS	Apr-20
% of WAP with other qualifications	ONS APS	Apr-20
% of WAP with no qualifications	ONS APS	Apr-20
Graduation Retention	HESA	TBC
HE Research Funding	HESA	TBC
Total dwelling stock	MHCLG	May-20
House Price to Income Ratio	MHCLG	Mar-20
Broadband connectivity	Ofcom	Dec-19
Visitor numbers	VisitBritain	Aug-19
Carbon dioxide emissions	BEIS	Jun-20

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