MIDLANDS ENGINE
QUARTERLY ECONOMIC COMMENTARY

MARCH 2019

Key Recent Statistics

Total GVA is **increasing** and stands at **£225bn**

GVA per head is **increasing**, reaching **£22,097** in 2017

The Proportion of Working Age Population with **no Qualifications** is **decreasing** at a **faster** rate than **UK**

▼ - 0.5pp Midland Engine

▼ - 0.3pp UK

GVA Per Employee is **increasing** and stands at **£50,758** since last year (2016-2017)

£2.4bn spend in the **Visitor Economy** from **overnight visitors** in 2017

Median house prices are at a **5-year high** reaching **£180,013** (Q3 2017)

27,950 Total Dwelling Starts within Midlands Engine in 2017

On average Midlands Engine has a **higher rate** of students **Leaving for study and returning for employment** than **national average**

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

Introduction

Welcome to the first edition of the Midlands Engine Quarterly Economic Commentary. This report is produced by the Midlands Engine Observatory which is a partnership led by City-REDI at the University of Birmingham and includes Nottingham Trent University, Black Country Consortium, SQW, Cambridge Econometrics. This report is produced by the Economic Intelligence Unit of Black Country Consortium.

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. This first quarter report focuses on the Economy with the main emphasis on GVA. The next report which will be produced in May will centre on people with the main focus on qualification levels. In August the focus will be on place and population and dwelling stock analysis. In November the report will focus on businesses and jobs.

The report is supported by a master spreadsheet of data which is a selection of headline strategic contextual indicators from national data sources. The data to underpin these indicators will be available down to Local Authority level for all partners to access and will be updated as soon as the national data is released. The list of indicators is shown on page 12.

We welcome any feedback on content and format to ensure this report meets the needs of partners.
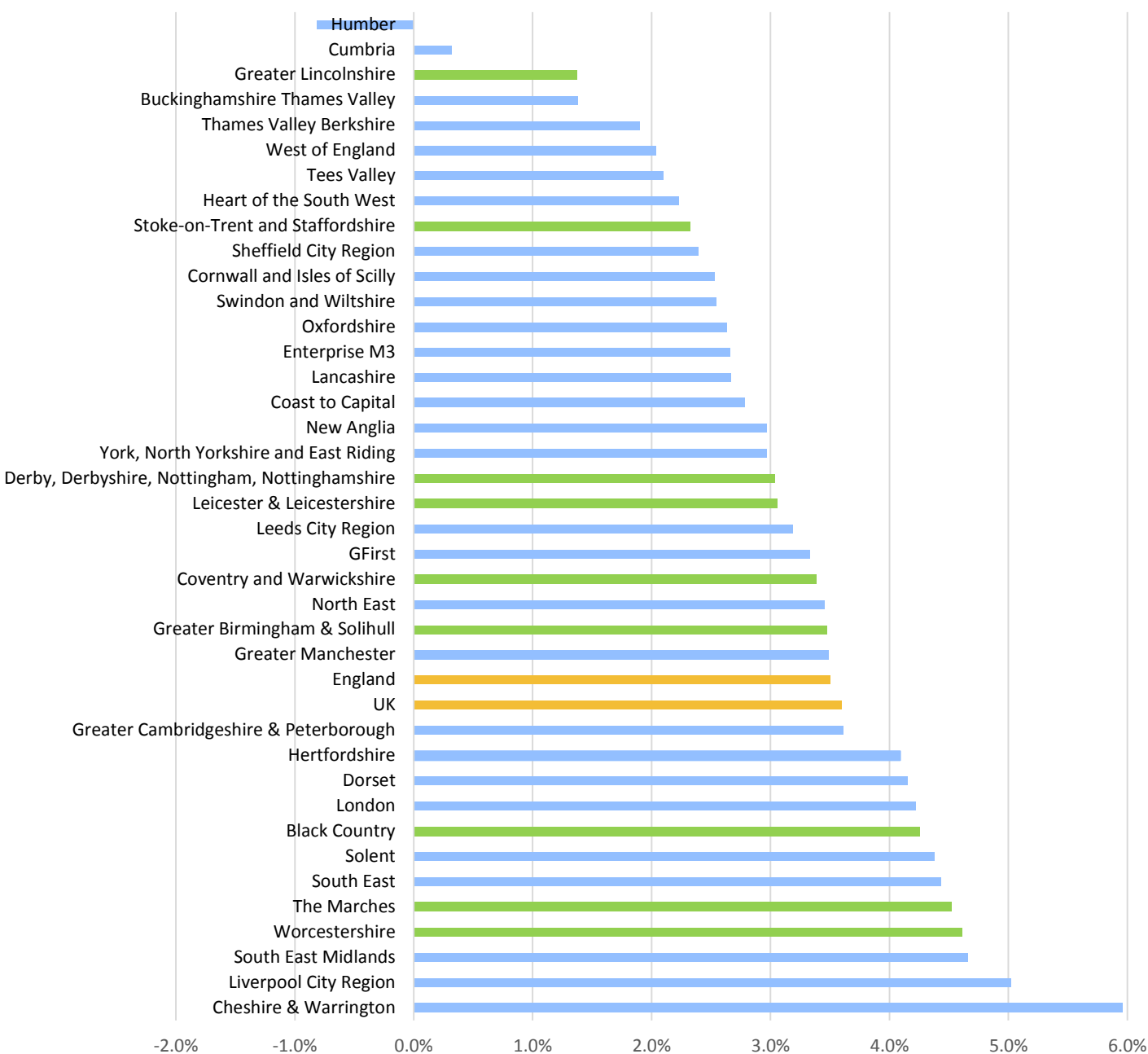
Midlands Engine Economy

The Gross Value Added (GVA) produced across the Midlands Engine geography continues to rise in all LEPs and reached a total of **£225bn** in **2017**. This is an increase of **3.2%** from the previous year, slightly below the national average growth rate of **3.5%**, but an increase of **7.1% since 2015** compared to **7.7%** nationally.

Across the Midlands Engine geography strong growth was recorded in the Worcestershire LEP (**4.6% to £13.3bn**), the Marches LEP (**4.5% to £14.2bn**) and the Black Country LEP (**4.3% to £21.7bn**). The LEPs with the highest total GVA also reported strong growth rates, with Derby, Derbyshire LEP, Nottingham and Nottinghamshire LEP GVA increasing **3% to £46.6bn**, and Greater Birmingham and Solihull LEP growing **3.5% to £51.3bn.**

GVA Growth Rates 2016-2017 across each LEP

Sources:
Released 12th December, 2018, All GVA data is provisional. Source: ONS, Balanced Gross Value Added, 2018.

Midlands Engine Economy

GVA by Industry:

The following table shows GVA broken down by industry for the Midlands Engine. The industry with the highest GVA is the manufacturing sector at **£37.7bn** which accounted for **16.8% in 2017.** This is followed by wholesale and retail trade at **£29.5bn (12.3%)** and real estate activities **£27.4bn (12.2%)**. The industry with the highest growth rate between 2016-17 is other service activities (17.6%) accounting for **£6.1bn of GVA**. The industry with the second highest growth rate (7.1%) is professional, scientific and technical activities, which accounts for **£11.9bn of GVA**. Activities of households saw the largest decrease in GVA compared to the previous year by 19.4%, accounting for **£0.5bn**.

| Industry	2016	2017	2016 - 2017 Change	2016 - 2017 % Change	2017 Industry GVA as % of Total
Agriculture, mining, electricity, gas, water and waste	£11.6bn	£11.8bn	£0.2bn	1.8%	5.2%
Manufacturing	£35.9bn	£37.7bn	£1.8bn	5.1%	16.8%
Construction	£13.7bn	£14.3bn	£0.7bn	4.9%	6.4%
Wholesale and retail trade; repair of motor vehicles	£26.7bn	£27.4bn	£0.7bn	2.6%	12.2%
Transportation and storage	£10.1bn	£10.3bn	£0.1bn	1.4%	4.6%
Accommodation and food service activities	£6.2bn	£6.6bn	£0.4bn	5.7%	2.9%
Information and communication	£7.9bn	£8.4bn	£0.5bn	5.9%	3.7%
Financial and insurance activities	£8.3bn	£7.8bn	-£0.5bn	-5.7%	3.5%
Real estate activities	£26.1bn	£26.4bn	£0.3bn	1.2%	11.7%
Professional, scientific and technical activities	£11.1bn	£11.9bn	£0.8bn	7.1%	5.3%
Administrative and support service activities	£9.8bn	£10.3bn	£0.5bn	5.4%	4.6%
Public administration and defence	£9.7bn	£9.8bn	£0.1bn	0.8%	4.3%
Education	£14.1bn	£14.5bn	£0.5bn	3.4%	6.5%
Human health and social work activities	£18.3bn	£18.3bn	£0.05bn	0.3%	8.1%
Arts, entertainment and recreation	£2.9bn	£2.9bn	-£0.03bn	-0.9%	1.3%
Other service activities	£5.2bn	£6.1bn	£.9bn	17.6%	2.7%
Activities of households	£0.6bn	£0.5bn	-£0.1bn	-19.4%	0.2%
Midlands Engine Total	**£218.1bn**	**£225bn**	**£6.9bn**	**3.2%**	

Midlands Engine Economy

GVA per head:

The GVA per head in the Midlands Engine geography was **£22,097** in 2017, an increase of **£495 (2.3%)** since 2016. The national average GVA per head is £28,096, a growth rate of 2.9% since the last year. In terms of the output gap, it currently stands at **£61.1bn.**

The growth rates in some of the LEPs were above the national average, Black Country LEP **(3.5% to £18,294)**, the Marches LEP **(3.5% to £20,680)** and Worcestershire LEP **(3.7% to £22,627)** were the highest.
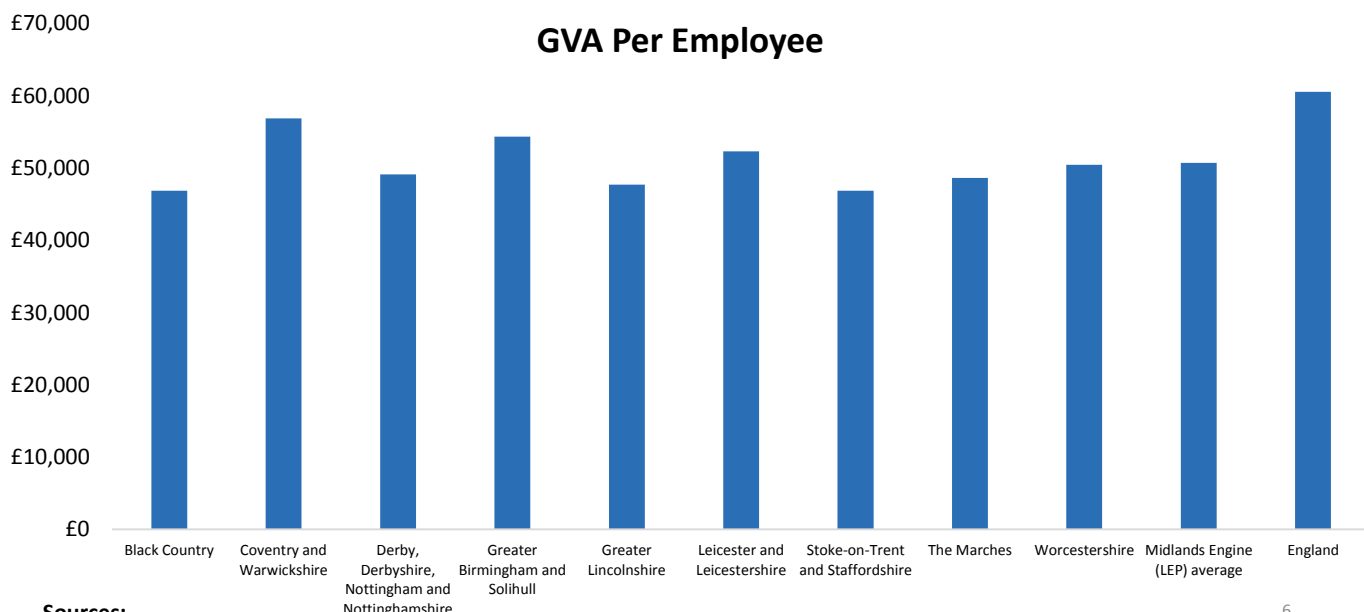
GVA Per Head
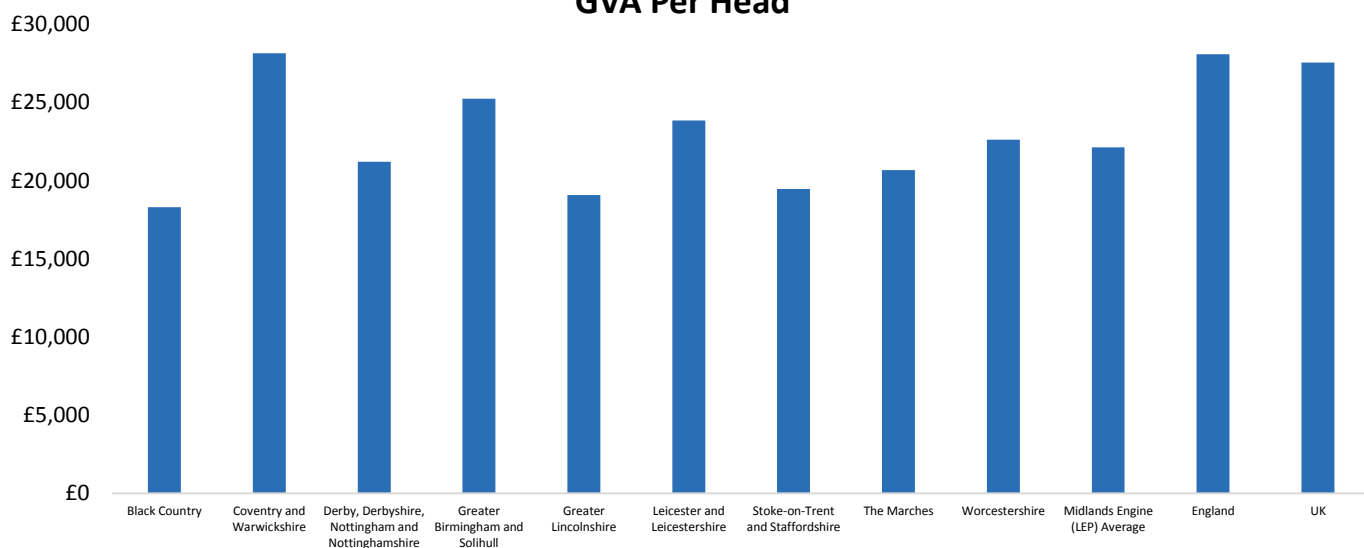
GVA per employee:

The total GVA per employee in 2017 was reported at £50,758 - up by 1.3% since the previous year. The national average GVA per employee is £60,523, up by 2%. The LEP with the highest GVA per employee is Coventry and Warwickshire LEP, **growing 0.2%** since the previous year. The LEP with the highest growth rate since 2016 is Leicester and Leicestershire LEP, **growing 2.8%.** The Marches LEP also saw a strong **growth rate of 2.4%**. Worcestershire was the only LEP to see a decline in GVA per employee, with a 2.1% decrease since the previous year.
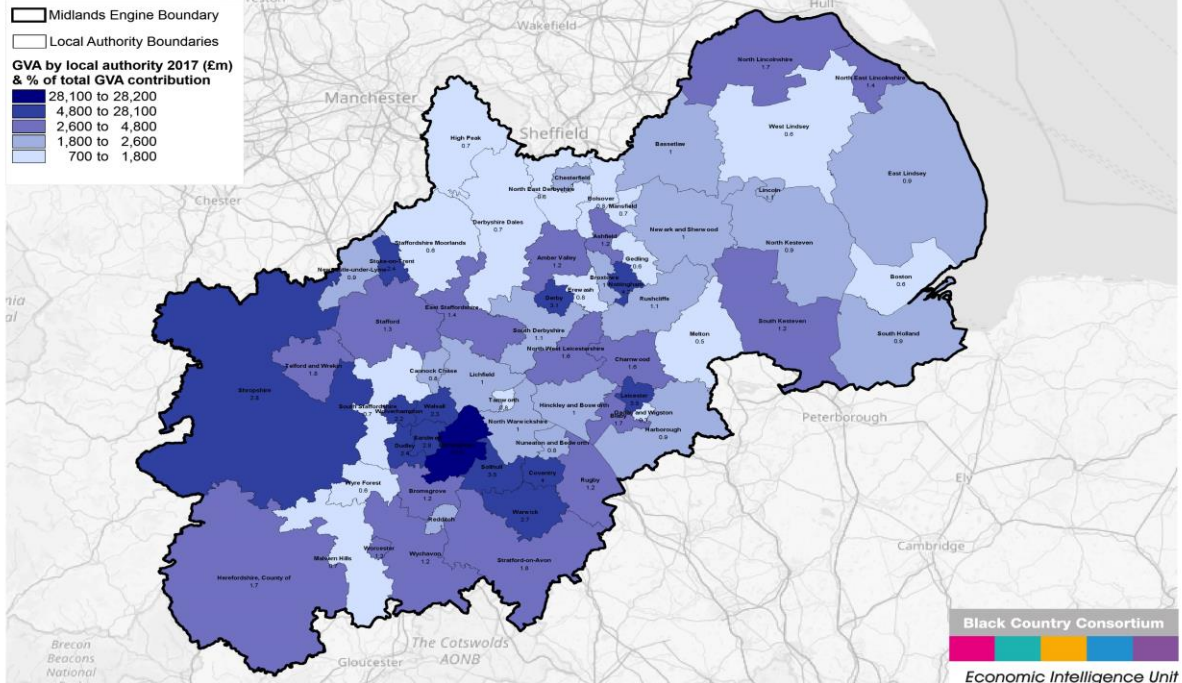
GVA Per Employee

Sources:

Midlands Engine Economy

MIDLANDS ENGINE GVA

© Crown Copyright and database right [2018]. Ordnance Survey [100046698]
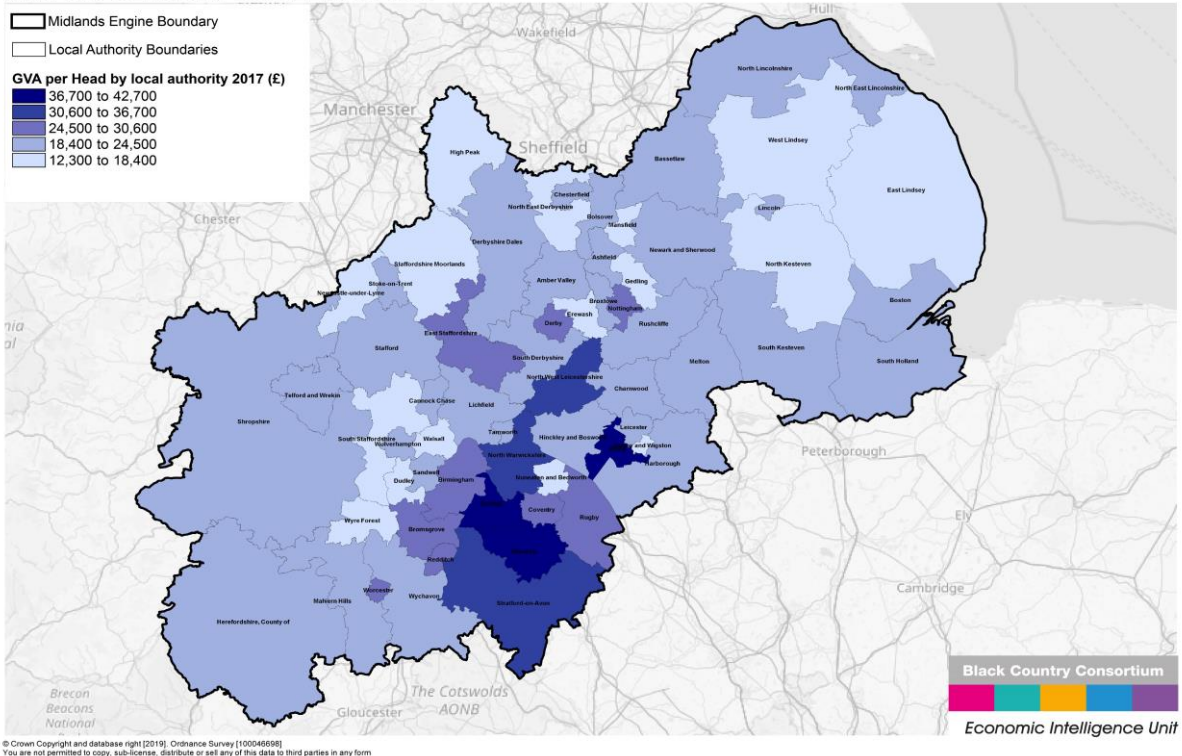You are not permitted to copy, sub-license, distribute or sell any of this data to third parties in any form

GVA and GVA per head - by Local Authority:

These two maps gives a spatial presentation of the GVA produced at a Local Authority level which ranges from £0.8 billion (Oadby and Wigston) to £28.1 billion (Birmingham).

MIDLANDS ENGINE GVA PER HEAD

© Crown Copyright and database right [2019]. Ordnance Survey [100046698]
You are not permitted to copy, sub-license, distribute or sell any of this data to third parties in any form

Sources:
Released 12th December, 2018, All GVA data is provisional. Source: ONS, Balanced Gross Value Added, 2018.
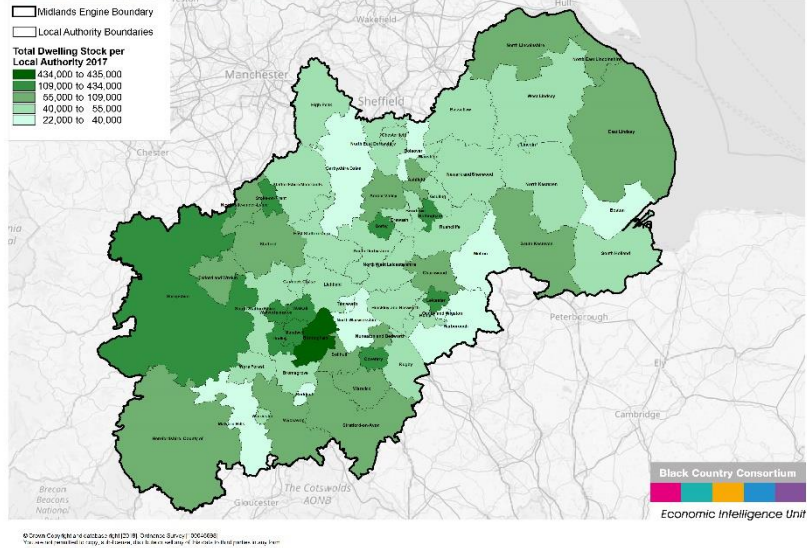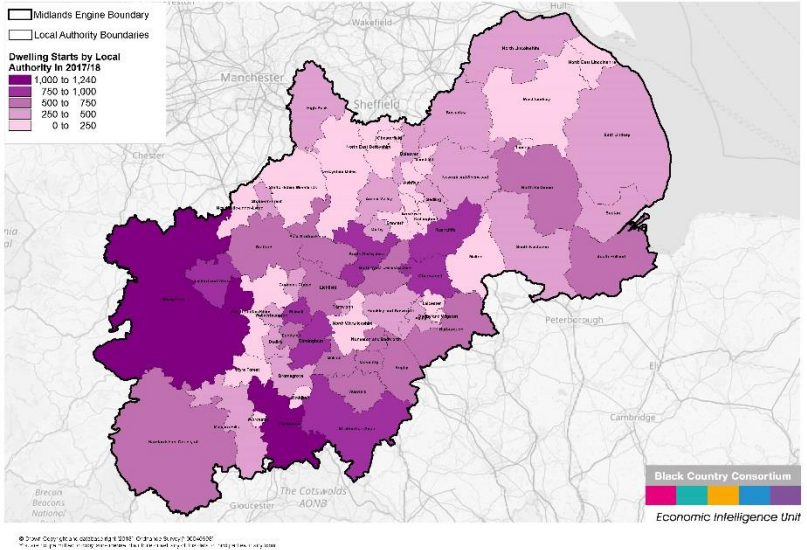
Place - Dwellings

The total number of dwellings in the Midlands Engine stands at **4,342,040**. Dwelling stock has increased by **0.8% (34,630 dwellings)**, compared to the national average increase of 0.9% (217,000 dwellings).

The dwelling data for 2016/17 shows that the areas with the greatest increase in dwelling stock is Stratford-on-Avon and North West Leicestershire, both increasing housing stock by 2% since the previous year.
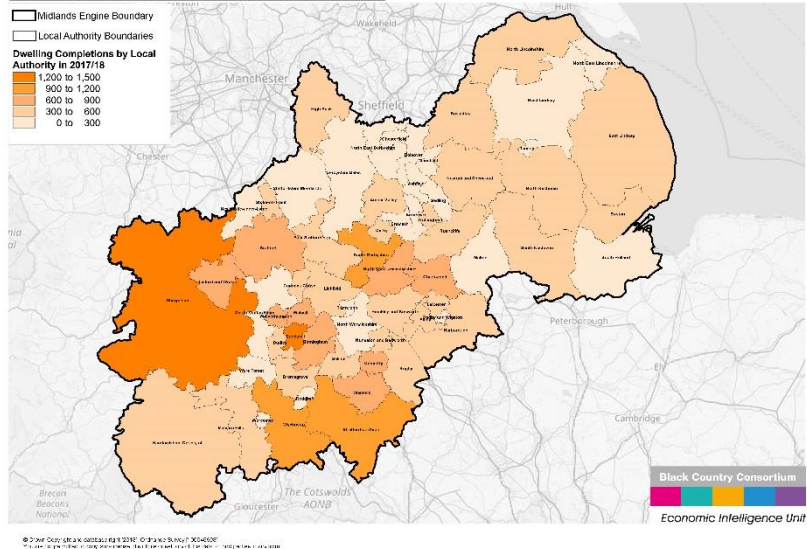

MIDLANDS ENGINE TOTAL DWELLING STOCK

The total number of dwelling starts in the Midlands Engine in 2017 is **27,950, up by 1.5%** compared to the previous year (27,550 projects started). There were 160,210 dwellings started in England in 2017/18, down by 2.9% since the previous year.

MIDLANDS ENGINE DWELLING STARTS

The total number of dwelling completions in the Midlands Engine is **27,700,** this is an increase of **10.6%** since the previous year, where **25,050** projects were completed. The total number of dwellings completed in England is 160,660, an increase of 8.3% since the previous year.
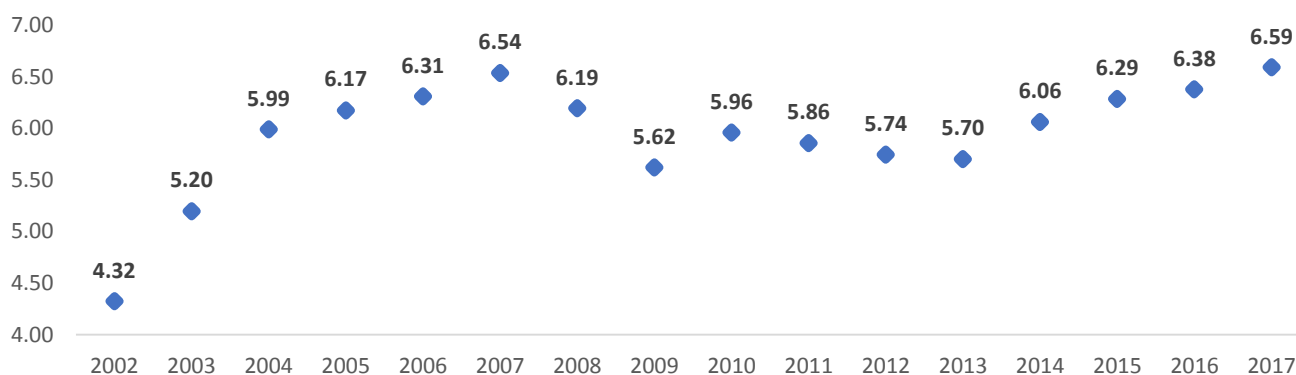

MIDLANDS ENGINE DWELLING COMPLETIONS

Sources:
Ministry of Housing, Communities & Local Government (2017/18)

Place – Housing

Housing Prices continue to grow

The average median house price in the Midlands Engine in **Q3 2017 was £180,013**, this is a 5.3% (+£9,114) increase compared to **Q3 2016 (£170,899)**. The average house price in England for Q3 2017 was £230,000, an increase of 4.5% (£10,000) from Q3 2016 (£220,000).

Although earnings are also rising across the Midlands Engine so is the house price to income ratio. In 2017 the ratio of median house prices to median earnings was **6.59**, lower than England (7.91). Residents in the Midlands Engine expect to spend **26.2%** of their salary on rent (down from 30.7% in 2015), this is lower than the England average of 27.4% (down from 37% in 2015).

Ratio of median house price to median gross annual earnings across the Midlands Engine

Year	Ratio
2002	4.32
2003	5.20
2004	5.99
2005	6.17
2006	6.31
2007	6.54
2008	6.19
2009	5.62
2010	5.96
2011	5.86
2012	5.74
2013	5.70
2014	6.06
2015	6.29
2016	6.38
2017	6.59

Visitor Economy

Local authority destination and purpose:

Tourism in the Midlands Engine Economy is strong, with one Local Authority in the top 10 nationally in terms of total spending for all tourism, this includes holidays, visiting friends and relatives, and business.

On average, visitors stayed **0.6 nights** in the Midlands Engine (no change since 2016) and **spent £38** (up from £37 in 2016). National nights away increased by 0.01, and spending rose by £13.

In total, there were 15.6 million trips, staying 40.4 million nights and spending a total of £2.4 billion in 2017.

	All Tourism		
	Trips	**Nights**	**Spending**
England - Total	**102.1**	**295.6**	**£19 billion**
Birmingham	2.4	5.2	£428 million
East Lindsey	1.4	5.2	£224 million
Shropshire	0.9	2.5	£152 million
Nottingham	0.7	1.9	£132 million
Stratford-On-Avon	0.6	1.3	£111 million
Herefordshire	0.5	1.5	£83 million
Derbyshire Dales	0.4	1.2	£77 million
Coventry	0.5	1.1	£76 million
Midlands Engine	**15.6**	**40.4**	**£2.4 billion**

Qualifications

NVQ Level 4+ qualifications increased by 0.3 percentage points (pp) over the year to 1,950,200 people from 1,928,100 compared to a national increase of 0.4pp. This equates to 31.4% of the working age population that are educated to NVQ level 4 and above.

There are 15 local authorities within the Midlands Engine that recorded a higher proportion of the working age population with NVQ Level 4 and above than the 38.4% national average - this includes Warwick (53.6%), Stafford (49.9%), and Stratford- on-Avon (47.9%). Despite this positive improvement, a further 432,883 working age Midlands Engine residents are required to obtain an NVQ Level 4 qualification to equal the national average.

There was positive performance reported in 'No Qualifications', falling from 623,700 in 2016 to 593,100 in 2017. This equates to 30,600 fewer people with no qualifications or -0.5pp compared to the national average of -0.3pp.

There are however 30 known local authorities within the Midlands Engine that are above the national average of 8% in terms of the % of the working age population with no qualifications, these include Sandwell (21%), Wolverhampton (15.6%) and Leicester (14.7%). To eradicate the gap with the national average, a further 98,624 working age Midlands Engine residents are needed to obtain at least one qualification.

Midlands Engine Qualifications

Qualification Level	Midlands Engine (64 LA)			UK	Change (percentage points)
	2016	2017	%	%	2016
% with NVQ4+ - aged 16-64	1,928,100	1,950,200	31.5	38.4	0.3pp
% with NVQ3 only - aged 16-64	1,129,100	1,108,800	17.9	17	-0.3pp
% with NVQ2 only - aged 16-64	1,070,900	1,073,100	17.3	16	0pp
% with NVQ1 only - aged 16-64	755,800	753,900	12.2	10.7	0pp
% with trade apprenticeships- aged 16-64	190,900	177,600	2.9	3.2	-0.2pp
% with other qualifications (NVQ) - aged 16-64	419,300	542,200	8.7	6.8	0.8pp
% with no qualifications (NVQ) - aged 16-64	623,700	593,100	9.5	8	-0.5pp

Student Retention

Student Geographical Mobility Data:

The data below shows that the regions ability to attract students to stay in their local areas for both education and employment is variable. Some LEPs, e.g. Derby, Derbyshire, Nottingham and Nottinghamshire LEP (28.4%) perform similar to the national average (29.3%), compared to the Marches LEP (4.1%) which has the lowest retention rate of young people in the Midlands Engine geography.

All LEPs perform well in terms of students returning to the local area for employment after studying elsewhere. The Marches LEP (39.6%), Greater Birmingham and Solihull LEP (34.1%) and Coventry and Warwickshire LEP (32.9%) perform better than the national average (30.4%) and retain the highest percentage of students post study.

	Stay for study and employment	Leave for study, return for employment	Leave for Study, do not return	Stay for study, leave for employment
Black Country	19.8%	27.0%	43.9%	9.2%
Coventry and Warwickshire	17.9%	32.9%	43.5%	5.7%
Derby, Derbyshire, Nottingham and Nottinghamshire	28.4%	29.4%	35.4%	6.8%
Greater Birmingham and Solihull	24.3%	34.1%	33.6%	8.1%
Greater Lincolnshire	22.3%	26.9%	46.0%	4.9%
Leicester and Leicestershire	27.2%	30.4%	35.3%	7.1%
Stoke-on-Trent and Staffordshire	20.0%	28.8%	45.5%	5.7%
The Marches	4.1%	39.6%	55.2%	1.2%
Worcestershire	15.7%	26.3%	52.8%	5.3%
National Average	29.3%	30.4%	34.3%	6.0%

Sources:
HESA Student Record, the Education and Skills Funding Agency's Individualised Learner Record (ILR) data and the Destinations of Leavers from Higher Education survey (DLHE).

Indicator List:

Indicators	Source	Update Due
Total GVA	ONS	Dec-19
GVA per head	ONS	Dec-19
GVA by industry	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 Broad Sector	ONS	Oct-19
Total Jobs	ONS, BRES	Sep-19
Jobs by broad sector	ONS	Sep-19
Inward Investment - Number of Regional FDI Projects	DIT	July-19
Exports	HMRC	Nov-19
Business Innovation	BEIS	TBC
Business Access to Finance	TBC	TBC
Mid-year population estimates	ONS	June -19
Life Expectancy at Birth - (Males and Females)	ONS	Dec-19
Gross Disposable Household Income per person	ONS	May-19
Average Annual Earnings - Workplace and Residential Based	ONS, ASHE	Oct-19
Employment rate of working age population	ONS APS	Apr-19
Unemployment rate of working age population	ONS APS	Apr-19
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	Jan-20
% aged 16-17 NEET	DFE	Oct-19
% of Working Age Population (WAP) with NVQ 4+	ONS APS	Apr-19
% of WAP with NVQ 3	ONS APS	Apr-19
% of WAP with NVQ 2	ONS APS	Apr-19
% of WAP with NVQ 1	ONS APS	Apr-19
% of WAP with trade apprenticeships	ONS APS	Apr-19
% of WAP with other qualifications	ONS APS	Apr-19
% of WAP with no qualifications	ONS APS	Apr-19
Graduation Retention	HESA	July-19
HE Research Funding	HESA	TBC
Total Dwelling Stock	MHCLG	May-19
House Price to Income Ratio	MHCLG	March-19
Broadband connectivity	Ofcom	Dec-19
Visitor Numbers	VisitBritain	Aug-19

Midlands Engine Observatory

Produced by:

In partnership with:

MIDLANDS ENGINE

SQW

cambridge econometrics
clarity from complexity

CITY REDI

NOTTINGHAM BUSINESS SCHOOL
Nottingham Trent University

UNIVERSITY OF BIRMINGHAM | BIRMINGHAM BUSINESS SCHOOL