



MIDLANDS ENGINE

Economic Observatory

MIDLANDS ENGINE STATE OF THE REGION

OCTOBER 2020

Welcome to State of the Region 2020 – the first annual review of economic performance across the Midlands Engine.

Our State of the Region report has been produced for the Midlands Engine Partnership by our Observatory. It presents something of a stocktake of where our region stands - what we are doing well and where we need to work together to improve economic performance across the Midlands Engine. The report also highlights the far reaching impact of COVID-19 on our regional economy – a shock we are yet to fully understand but which we are already feeling the effects of.

The Midlands is home to almost 11 million people, is responsible for 22% of England's exports – the greatest share of any region; and generates £239 billion annually for the UK economy. That's an economy the size of Denmark's – and a geography serving a greater population than the devolved nations – Scotland, Wales and Northern Ireland, combined.

The region was one of the most prosperous areas of the UK until the 1970s and 1980s. Over the last 5 years it had been experiencing a resurgence of its economic potential, thanks to growth across a wide range of sectors. It is the Midlands which had been bucking the national trend on a host of economic indicators, such as enterprise and employment growth. Much of this was powered by a young, skilled workforce.

However, there are both long-term structural challenges and shorter-term shocks which are preventing us reaching our economic and community ambitions – ambitions which see every part of our region prosper and our communities strengthened.

Hard evidence within our Independent Economic Review, published in April 2020, shows there is a structural productivity challenge leading to a GVA output gap of £76bn. The barriers to achieving the levels of productivity required to close this gap have been identified in four main areas – skills, infrastructure, R&D investment and access to finance.

2020 sees the addition of two further external factors which are having an impact on our economy. Firstly, there is the forecast impact of **Brexit** on the Midlands economy, where research suggests our region will be hit hard. The high degree of specialisation in our manufacturing base, and high level of exporting to Europe present us with serious challenges as trading parameters shift.

In addition to this is the impact of **COVID-19**. Across the Midlands Engine, over 1.49m people were furloughed, nearly 33% of the eligible population, slightly above the UK average of 32%. The full effects on the economy are as yet unquantified, but the Midlands Engine Observatory's Covid Monitors have analysed both early quantitative and qualitative data - analysis which is invaluable as we move forward in uncharted waters, helping us to target local changes and shape regional and national policy making, to support recovery. Our economic impact reporting through the pandemic has captured too the truly remarkable work undertaken by Midlands Engine partners as they work to mitigate the effects of the pandemic on our regions businesses and communities.

Whilst the challenges outlined above are real, and will require concerted effort in partnership to overcome, I am mindful too that we have a unique opportunity ahead of us. An opportunity to carefully assess the needs of our region, and to build back better, stronger and greener. The work of the Midlands Engine Observatory is crucial in understanding how we can do this together, in partnership, and how we achieve our shared ambition for a prosperous Midlands. For it is when the Midlands succeeds that the UK succeeds.

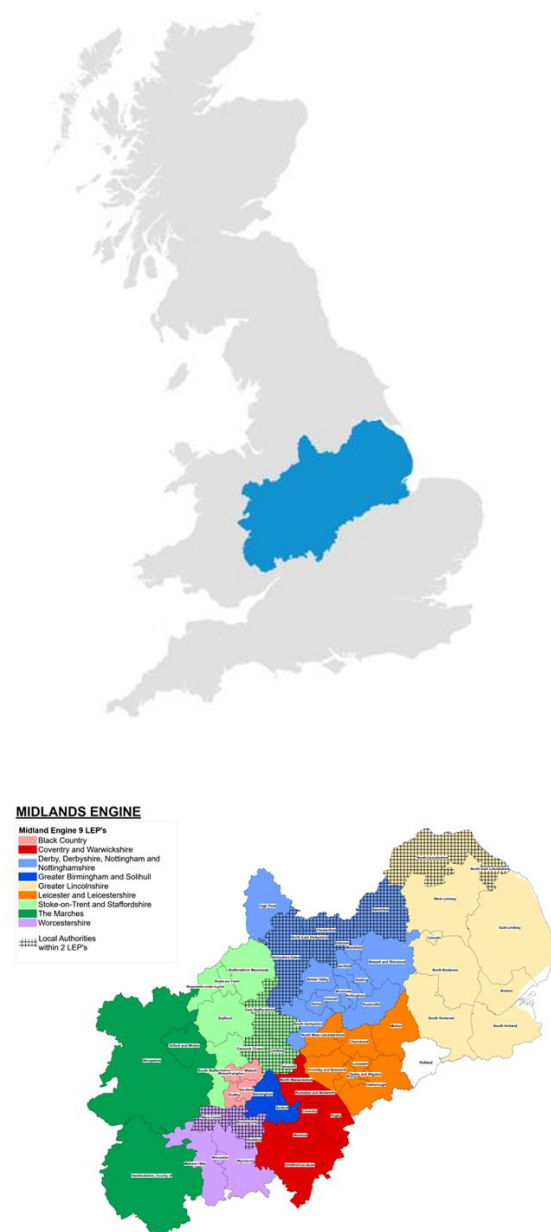
Sir John Peace, Chairman, Midlands Engine

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This report has been split into 2 sections – the first section builds on the real time monitoring that has been undertaken and reported in the fortnightly Midlands Engine COVID-19 economic impact monitoring reports. It reports in greater detail on the impact of COVID-19 on the economy, business, sectors and the labour market since the start of the pandemic.

The second section of the report provides a baseline and the performance of the area against a wide range of indicators based on the most up to date official datasets available. Due to the time lag nature of these indicators these are based on the period prior to the pandemic. As these indicators are updated the report will be updated to reflect the latest position.

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Unless otherwise stated the data relates to the Midlands Engine 65 Local Authority areas.

Independent Economic Review Findings

In April 2020 we published our **Independent Economic Review** which sets out the challenges facing the region. We know there is a productivity challenge with GVA per capita only 76% of the national average leading to a £76bn output gap. In order to fully close the productivity gap (match the UK productivity level by 2030), the Midlands' productivity performance would need to increase at a rate of 2.4% per annum, meaning the region would need to return to (and exceed) productivity growth rates previously seen in the 1980s and 1990s. This is extremely ambitious given how productivity growth has been subdued over the past decade (averaging 0.4% per annum.) and in current climate this will become even more challenging.

The barriers to this growth links to four main areas – skills, infrastructure, R&D investment and access to finance:

Skills

- To reach the national average of 40.2% in terms of higher level skills –requires an additional 390,000 people to gain an NVQ4 qualification. (currently 34%).
- Business highlights shortage of digital skills.
- Region struggles to retain graduates – losing a high percentage of our skilled workforce.

Infrastructure

- There has been decades of underinvestment in our **transport infrastructure** - In 2018/19 the East Midlands was the lowest region in the UK for spend per head on transport at £268. The West Midlands was the eighth lowest at £467. Both regions are below the UK average of £481.
- Poor connectivity – transport and digital especially in rural areas.
- Energy intensive sectors confirm energy capacity as a barrier to growth.

Access to Finance

- Firms regularly cite **Access to Finance** as key barriers to business growth. In particular, access to finance for business growth and innovation (especially the second valley of death and pathway to commercialisation) is commonly cited as one of the most significant challenges for businesses in the region.
- Poor supply side co-ordination, fragmented landscape.
- Lack of awareness of available finance, difficulties in navigating funds available, confusion in appropriate sources.

R&D

- A recent report by NESTA shows that West Midlands is the lowest region for public sector spend per head in **R&D** at £83, this is followed closely by the East Midlands at £89. Public sector investment in R&D across the region as a whole is below the England minus London average, although it has shown strong growth in recent years (relative to the benchmark). R&D spend is concentrated in a relatively small number of highly innovative firms/institutions, masking variable performance across the region.
- R&D spend too concentrated.
- Diffusion of knowledge across business base is too slow.

On top of these structural challenges, 2020 saw two additional impacts on the economy. Firstly there is the potential impact from **COVID-19**. Across the Midlands Engine area over 1.49m people were furloughed, which is an uptake rate of 33%, above the UK average of 32%.

There is also the potential impact of **Brexit** on the Midlands Economy with predicted high levels of exposure of GDP and Local Labour Income exposure high at an average of 13%. The manufacturing sector is most exposed to Brexit and the likelihood is that Brexit would make inter-regional inequalities worse.

This report will now look in greater detail on the impact of COVID-19 across all areas of the economy.

Executive Summary

Impact from COVID-19:

- The speed and scale of this economic shock is unprecedented. It is likely that there will be strong sectoral / place / demographic differences on business survival, future growth and employment. KPMG have produced some GVA forecasts for 2020/2021 that show **West Midlands, East Midlands and East of England as being the top regions to be forecast to be hit the hardest.**
- Based on the number of workers furloughed as a percentage of eligible workers suggests that of the ten main Midlands Engine sectors that the **visitor economy (75.6%), construction (57.5%), advanced manufacturing and engineering (46.0%) and retail (42.0%)** will be the sectors most impacted from COVID-19. Analysis suggests that public sector including education (7.7%) and life sciences and healthcare (10%) sectors will be least impacted.
- Following the responses to the Bank of England's Decision Maker Panel (DMP) survey, analysis indicates that **employment across the Midlands Engine could fall by 8.1% in 2020 Q4.** The sectoral composition of each local authority is a key factor in determining local vulnerabilities to the crisis. **Sales in the Midlands Engine local authorities are expected to be decline by an average of 13% by 2020 Q4** – in line with the national estimate. **Investment is expected to decline by 20.2% in 2020 Q4** across the Midlands Engine – this is higher than the national estimate of 19.7%.
- Across the Midlands Engine there were over **1.49 million workers furloughed** which is an uptake rate of 33%, above the UK average of 32%.
- In September 2020, there were **428,515 claimants aged 16 years and over** in the Midlands Engine which is 216,975 (+102.6%, UK +113.6%) more claimants than March 2020. The number of claimants as a percentage of residents aged 16 years old over was 5.1% in September compared to 5.0% for the UK.

Pre COVID-19 Performance - Headline Statistics for the Region

- Total GVA of £238.6bn in 2018 for the Midlands Engine. This has increased by 3.5% (nearly +£8bn) since 2017 compared to an increase of 3.4% for the UK.
- GVA per head was £23,190 in the Midlands Engine in 2018. This has increased by 2.8% (£627) since 2017 compared to an increase of 2.7% for the UK. Shortfall of £5,539 compared to the UK average of £28,729.
- The number of enterprises in the Midlands Engine increased by 1.1% (+4,480) since 2017, to reach 397,960 in 2018. Over the same period, the equivalent UK increased by 0.5% (+13,920).
- 49,775 enterprise births in the Midlands Engine in 2018, an increase of 430 (+0.9%) compared to a decrease of 0.3% for the UK.
- 4,414,000 jobs in the Midlands Engine in 2018, a decrease of 9,000 (-0.2%) since 2017. Overall, UK jobs increased by 0.6% over the same period.
- Across the Midlands Engine geography, 34.0% of the working age population were educated to NVQ level 4 and above in 2019, compared to the UK average of 40.2%. NVQ4 qualifications have increased by 3.8% from 2018, compared to the UK growth of 2.9%. 9.1% of the working age population in the Midlands Engine had no qualifications which is above the UK average of 7.9%. Since 2018, there was a 3.5% decrease compared to a 1.3% decrease for the UK.
- In 2018/19 there were a total of 78,700 apprenticeship starts in the Midlands Engine, this is an increase of 5.8% (+4,290) apprenticeships from 2017/18, which is above the national increase of 4.7% increase. However, levels are still significantly below 2016/17 where apprenticeship starts stood at 104,080 in the Midlands Engine area.
- The average unemployment rate across the Midlands Engine was 4.5% (222,700), compared to 3.9% for the UK in the year ending March 2020. The Midlands Engine area has decreased by 0.4pp and the UK by 0.3pp. The average employment rate across the Midlands Engine was 74.7% (4.7m), compared to 75.9% for the UK in the 2019. The employment rate has increased by 0.8pp, with the UK growth rate at 0.7pp.
- Resident earnings in the Midlands Engine was £28,783 in 2019. This has increased by 2.3% (+£644) since 2018 compared to 2.7% for the UK. Shortfall of £1,570 compared to the UK average of £30,535.

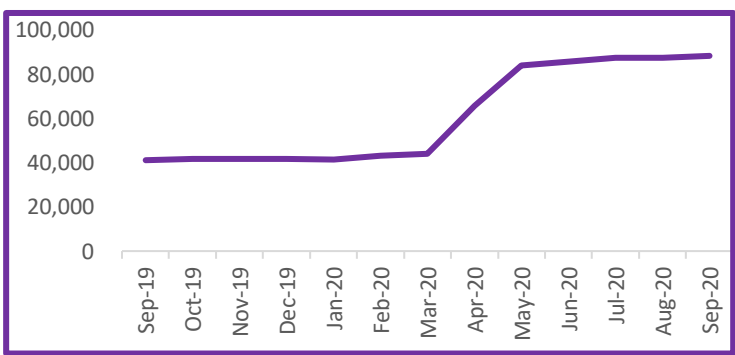
Policy Considerations From COVID-19

Table 1: Policy Consideration by Theme from COVID-19:

THEME	KEY CONCERNS
Access to Finance & Cashflow	<ul style="list-style-type: none"> Financial support enquiries remain common. There is a real appetite for funding with many businesses calling their local growth hub to identify funding streams they can tap into. There continues to be requests for funding for capital equipment and diversification. There is a desire from businesses of all sizes to reconfigure their businesses and invest in capital. Some businesses who had shelved growth plans, including inward investment opportunities, are revisiting these projects and are looking for grants and other investment.
Redundancies & Furlough	<ul style="list-style-type: none"> There are increasing concerns about the impact of winding down of the Coronavirus Job Retention Scheme and the resulting job losses. Furlough numbers are on the rise – might be down to flexible furlough – there is need to monitor dynamics and interdependencies occurring in the economy and across sectors to inform recovery planning.
New Business Models	<ul style="list-style-type: none"> Remote working to some degree is now widely accepted as a permanent way of life for many businesses. Increase in requests for property searches across the region suggests hope for the commercial property market which will already have been impacted by the inevitable increase of available space, particularly offices, post COVID-19.
Recruitment	<ul style="list-style-type: none"> Starting to see some companies considering recruitment campaigns & planning to employ staff from potentially October, but still concerns about future. Some companies are bringing employees back into the office, and some more thinking about how to interview candidates & plan recruitment campaigns.
Consumer Behaviour & Sales	<ul style="list-style-type: none"> Sales in some sectors seem to be recovering strongly both in terms of business to business and business to consumer. Retail sales benefitted in July from a full month of non-essential retailers being allowed to open (having been allowed to open from mid-June after being closed from 23 March).
Supply Chains	<ul style="list-style-type: none"> Businesses are being disrupted by delays from suppliers. Anecdotal evidence suggests some degree of supply chain disruption has begun, with businesses citing parts of their supply chain going into administration as well as the impact of local lockdowns as key reasons for this friction.
Overseas Investment	<ul style="list-style-type: none"> A string of international companies moving to the West Midlands has put the region top of the UK's overseas investment chart for five years running. New data from the Department for International Trade has revealed that the West Midlands has again been hailed as the UK's leading location for Foreign Direct Investment (FDI) outside of London and the South East.
Brexit	<ul style="list-style-type: none"> There has been a noticeable absence of businesses reporting any planning for Brexit. Anecdotally this is due to a combination of time to digest and plan, lack of capital and impacts relating to COVID-19 which have impacted on supply chains and warehousing. Larger businesses appear to be preparing plans from last year whilst smaller businesses do not feel prepared locally.

Impact of COVID-19

Impact of COVID-19 – Short Term Indicators

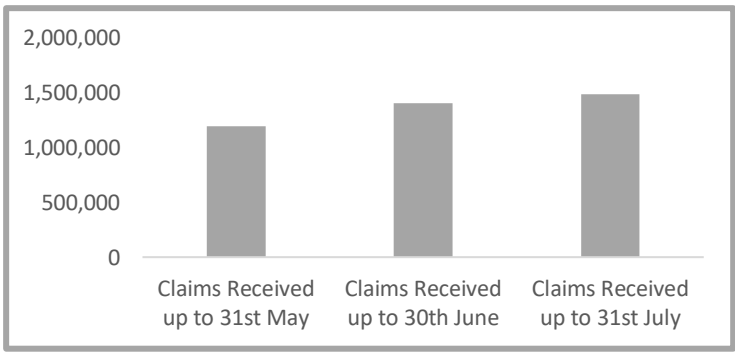
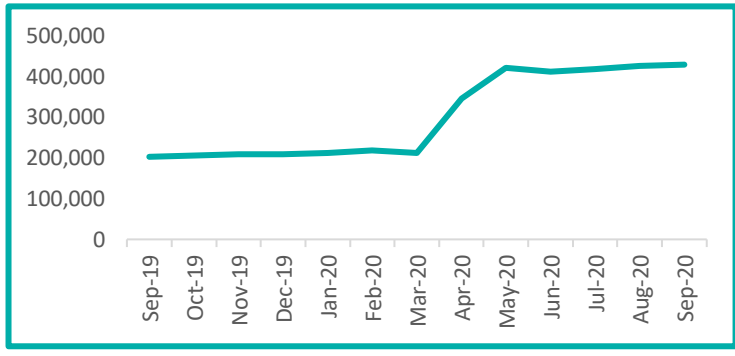


There were **88,560** claimants aged 16 – 24 years old in the Midlands Engine in September 2020.

An increase of **1,085** (+1.2% vs +1.4% UK) since August 2020 and by **44,365** since March 2020 (+100.4% vs +121.9% UK).

There were **428,515** claimants aged 16 years and over in the Midlands Engine in September 2020.

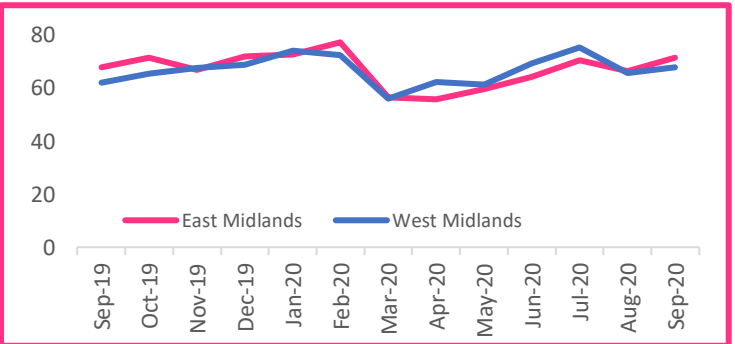
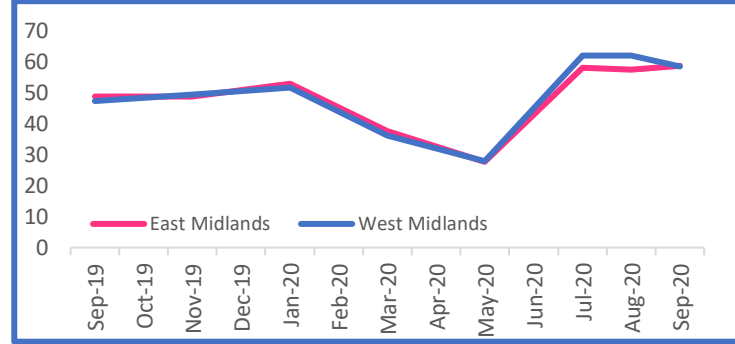
An increase of **3,425** (+0.8% - matching the UK) since September 2020 and by **216,975** claimants since March 2020 (102.6% vs 113.6% UK).



1.49m workers were furloughed over the duration of the Coronavirus Job Retention Scheme in the Midlands Engine area. 33% take up rate compared to 32% for the UK.

The headline **West Midlands Business Activity Index** has changed from 61.9 in August 2020 to **58.5** in September 2020.

The headline **East Midlands Business Activity Index** has changed from 57.4 in August 2020 to **58.6** in September 2020.



The **West Midlands Future Business Activity Index** changed from 65.5 in August 2020 to **67.8** in September 2020.

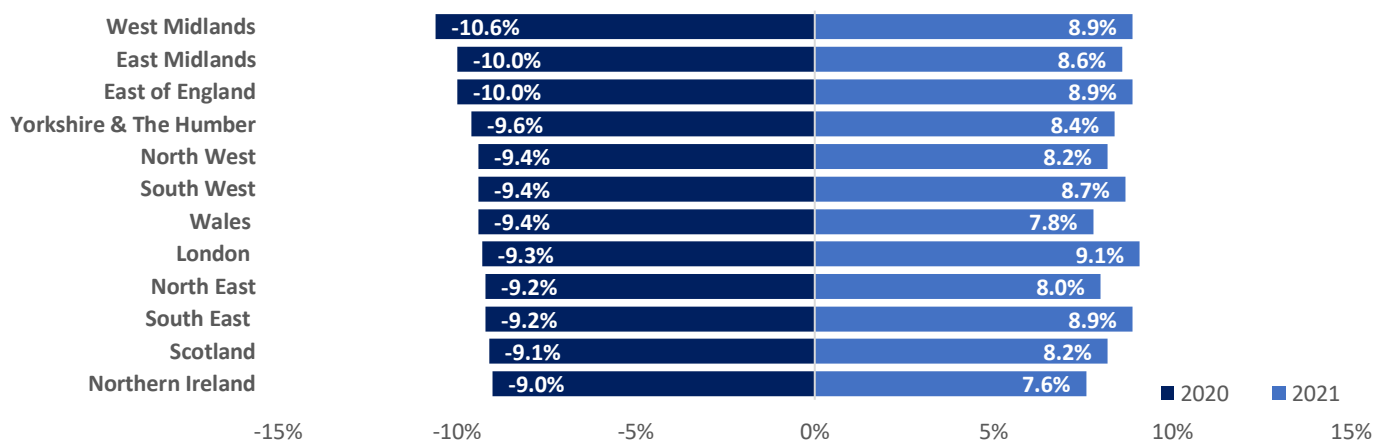
The **East Midlands Future Business Activity Index** has changed from 66.3 in August 2020 to **71.2** in September 2020.

Impact of COVID-19 on GVA

Regional vulnerability analysis by KPMG on GVA that was released in September 2020 shows areas that are linked to air travel are particularly exposed as there is a high geographical concentration of employment around large airports. However, UK holiday destinations are seeing a boom, which may soften the downturn earlier in the year. Local retail is also coming under stress as the fall in bricks and mortar retail is offset by a substantial increase in online shopping. July figures from the BRC-KPMG Retail Sales Monitor show a 41% increase in the volume of online retail sales compared to a year ago, while overall sector activity appears unchanged. Retailers based in city centres are losing out as office workers continue to work from home.

KPMG predict that the economic impact of COVID-19 will hit the West Midlands harder than any other region, predicting that the economy in the region will contract by 10.6% in 2020. The East Midlands is also down to be joint second highest impacted region, forecast to contract by 10.0%.

Figure 1: Forecasts of Regional GVA Change in 2020 & 2021 by Region:



GVA per Sector

Highlighted in blue in the following table shows where the Midlands Engine has a higher percentage of GVA when compared to the UK average – examples include: advanced manufacturing (16.2% vs 9.9%), public sector inc. education (10.9% vs 10.6%), construction (6.9% vs 6.7%) and retail (12.4% vs 10.6%).

In order to determine which sectors were most vulnerable we have applied the broad sector analysis from the Office for Budget Responsibility scenario to the 10 main sectors for the Midlands Engine. Table 2 as seen below, also shows on a red – green shading scale which sectors will be potentially be affected the most and how much that sector accounts for the overall total. This headline analysis suggests that the public sector (inc. education) and the visitor economy sector will be the sectors most impacted from COVID-19. Analysis suggests that life sciences and healthcare may be the only sector that will be unscathed, but notably also one of main sectors that has taken the brunt of the human impact from COVID-19.

Table 2 : Midlands Engine GVA by Sector and Vulnerability from COVID-19:

Sector	Midlands Engine 2018	Midlands Engine 2018 % of Total	UK 2018	UK 2018 % of Total
Advanced Manufacturing & Engineering	£38.7bn	16.2%	£189.3bn	9.9%
Transport Technologies and Logistics	£10.7bn	4.5%	£79bn	4.1%
Healthcare and Life Sciences	£20.5bn	8.6%	£145.1bn	7.6%
Energy and Low Carbon Technologies	£12.2bn	5.1%	£83bn	4.3%
Business, Professional & Financial Services	£64.2bn	26.9%	£663.7bn	34.7%
Creative, Design and Digital	£10.4bn	4.3%	£134.1bn	7.0%
Construction	£16.6bn	6.9%	£127.7bn	6.7%
Retail	£29.7bn	12.4%	£202.4bn	10.6%
Public Sector	£26bn	10.9%	£201.5bn	10.6%
Visitor Economy	£9.7bn	4.1%	£83.9bn	4.4%
Total	£238.6bn		£1,909bn	

Red – green shading in tables 2, 3 and 4 is based off OBR analysis of output losses per broad sector (for example estimating key workers, industries that can work from home and adjusted for childcare responsibility and absences due to illnesses) applied to the 10 main sectors. Table 2 Source: ONS, Regional gross value added (balanced) , 2019

Impact of COVID-19 on Sectors

Jobs

Highlighted in blue in the following table are the sectors where the Midlands Engine has a higher percentage of jobs when compared to the England average – this includes advanced manufacturing (12.6% vs 8.0%), the public sector including education (13.1% vs 12.9%), energy and low carbon activities (2.4% vs 1.8%) and logistics and transport technologies (5.3% vs 4.9%).

Table 3: Midlands Engine Jobs by Sector and Vulnerability from COVID-19:

Sector	Midlands Engine Jobs	% of Total Midlands Engine Jobs	England Jobs	% of Total England Jobs
Advanced Manufacturing	554,665	12.6%	2,083,450	8.0%
Business, Professional & Financial Services	844,095	19.2%	5,962,000	22.9%
Construction	279,675	6.4%	1,832,000	7.1%
Visitor Economy	370,360	8.4%	2,569,000	9.9%
Creative, Digital & Design	120,540	2.7%	1,151,000	4.4%
Energy & Low Carbon Technologies	106,225	2.4%	471,850	1.8%
Healthcare & Life Sciences	594,125	13.5%	3,306,000	12.7%
Public Sector	579,150	13.1%	3,342,000	12.9%
Retail	720,500	16.4%	3,983,000	15.3%
Transport Technologies & Logistics	234,855	5.3%	1,279,000	4.9%
Total	4,404,190		25,979,300	

Enterprises

Also highlighted in blue in the following table are the sectors where Midlands Engine has a higher percentage of businesses when compared to the UK average – examples including retail (16.1% vs 14.3%), public sector – which includes education (2.1% vs 1.9%) and advanced manufacturing & engineering (6.9% vs 5.1%).

Table 4: Midlands Engine Enterprises by Sector and Vulnerability from COVID-19:

Sector	Midlands Engine Enterprises	% of Total Midlands Engine Enterprises	UK Enterprises	% of Total UK Enterprises
Advanced Manufacturing	25,370	6.9%	137,355	5.1%
Business, Professional & Financial Services	114,640	31.1%	924,515	34.0%
Construction	51,485	14.0%	387,125	14.2%
Visitor Economy	28,185	7.6%	224,565	8.3%
Creative, Digital & Design	21,005	5.7%	226,210	8.3%
Energy & Low Carbon Technologies	24,395	6.6%	164,195	6.0%
Healthcare & Life Sciences	14,885	4.0%	102,000	3.8%
Public Sector	7,840	2.1%	51,995	1.9%
Retail	59,400	16.1%	389,105	14.3%
Transport Technologies & Logistics	21,780	5.9%	111,360	4.1%
Total	368,985		2,718,425	

The OBR scenario which was based off an assumption of a three-month lockdown, followed by three months of partial restrictions in the transition to normality. Initial forecasts shows an overall 35.1% reduction in GDP in Q2 2020 (April to June), following growth of 0.2% in Q1 2020, with a yearly contraction of the UK economy of 12.8%.

The West Midlands will be harder hit than any other region, predicting that the economy in the region will contract by 10.6% in 2020. The East Midlands is predicted to be the second joint highest region impacted, forecast to contract by 10%.

Analysis suggests that the public sector (including education) and the visitor economy sector will be the sectors most impacted by COVID-19

Impact of COVID-19 on Sectors

Table 5 : Detailed Sector Summaries from the Impacts of COVID-19 on Sectors:

ME Sector	GVA 2018	Jobs 2018	Enterprises 2019	Regional ME Furloughed			National - Turnover decreased by more than 50%	Other Insight
				No. of Workers Furloughed	% Furloughed	Furloughed Workers as % Eligible		
Advanced Manufacturing & Engineering	£38.7bn	554,665	25,370	278,100	17.8%	46.0%	6.5%	<ul style="list-style-type: none"> As a result of uncertainty manufacturers in the West Midlands opted to prioritise low-risk short-term hiring over high-risk investing. The East Midlands has seen a sharp decline in output balance, and showed the worst results of any region in terms of output during this period. Of those who export, 40.8% of UK manufacturers are still exporting but less than normal.
Construction	£16.6bn	279,675	51,485	110,500	7.1%	57.5%	7.7%	<ul style="list-style-type: none"> Some construction businesses are suffering from project delays – this has significant financial consequences.
Design, Digital & Creative	£10.4bn	120,540	21,005	29,100	1.9%	21.2%	6.5%	<ul style="list-style-type: none"> Of those who export, 24.7% of UK information & communication firms are still exporting but less than normal.
Life Sciences & Healthcare	£20.5bn	594,125	14,885	64,500	4.1%	10.0%	3.7%	<ul style="list-style-type: none"> Of those businesses currently trading, 3.7% of human health & social work activities businesses reported that they were unable to get the materials, goods or services they needed, above the UK average of all sectors of 3.3%.

Shading is based off the number of workers furloughed as a percentage of eligible workers, red shading indicates over 40%, green indicates 10% and under and orange shading is in between. Furloughed data covers the West Midlands and East Midlands regions.

Impact of COVID-19 on Sectors

Continued Table 5 : Detailed Sector Summaries from the Impacts of COVID-19 on Sectors:

ME Sector	GVA 2018	Jobs 2018	Enterprises 2019	Regional ME Furloughed			National - Turnover decreased by more than 50%	Other Insight
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Retail	£29.7bn	720,500	59,400	324,300	20.7%	42.0%	5.7%	<ul style="list-style-type: none"> Concerns from business owners about the return to normal business rate payments as of April 2021 after the current 12-month rates holiday scheme ends.
Visitor Economy	£9.7bn	370,360	28,185	294,300	18.8%	75.6%	<ul style="list-style-type: none"> Arts, entertainment and recreation: 41.2% Accommodation and Food Service Activities: 26.6% 	<ul style="list-style-type: none"> Businesses in this sector cannot turn their revenues back on within days or weeks of reopening – so need more government support to help survive.
Logistics & Transport Technologies	£10.7bn	234,855	21,780	72,500	4.6%	29.4%	18.1%	<ul style="list-style-type: none"> Logistics companies DPD and Hermes have made significant investments in order to meet the demands of home shopping deliveries, providing a major increase in local job opportunities.

Some construction businesses are suffering from project delays – this has significant financial consequences.

3.7% of human health & social work activities businesses reported that they were unable to get the materials, goods or services they needed.

2.3% of education businesses reported that they were unable to get the materials, goods or services they needed.

Across the UK, 3.9% of businesses in the accommodation and food service activities industry were at high risk of insolvency.

Impact of COVID-19 on Sectors

Continued Table 5 : Detailed Sector Summaries from the Impacts of COVID-19 on Sectors:

ME Sector	GVA 2018	Jobs 2018	Enterprises 2019	Regional ME Furloughed			National Turnover decreased by more than 50%	Other Insight
				No. of Workers Furloughed	% Furloughed	Furloughed Workers as % Eligible		
Energy and Low Carbon Technologies	£12.2bn	106,225	24,395	12,000	0.8%	20.8%	3.6%	<ul style="list-style-type: none"> Of those who export, 50.0% of UK water supply, sewerage, waste management and remediation activities firms are still exporting but less than normal.
Public Sector Inc. Education	£26.0bn	579,150	7,840	54,700	3.5%	7.7%	11.3%	<ul style="list-style-type: none"> Of those businesses currently trading, 2.3% of education businesses reported that they were unable to get the materials, goods or services they needed, below the UK average of all sectors of 3.3%.
Business, Professional & Financial Services	£64.2bn	844,095	114,640	314,200	20.1%	31.3%	<ul style="list-style-type: none"> Real estate activities: 3.1% Professional, scientific & technical activities: 5.8% Administrative and support service activities: 17.4% 	<ul style="list-style-type: none"> Concern from the business events and conferences sector as not able to resume until October at the earliest means they have lost six months of trading. This has had a huge impact on this sector as well as the supply chains that feed into it.

Impact of COVID-19 on Business Activity

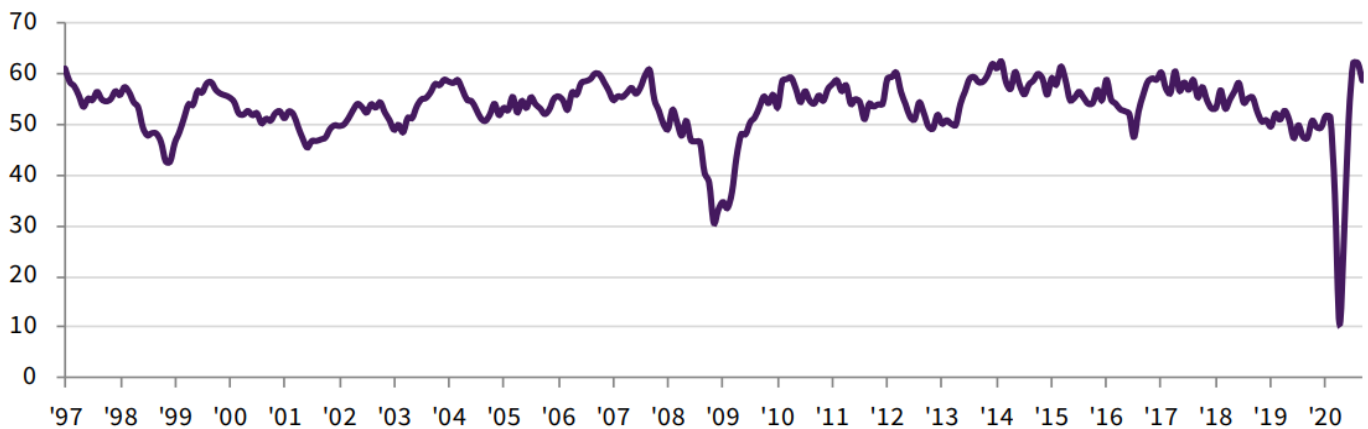
Purchasing Manager Index (PMI) Survey Analysis:

The headline figure from PMI Survey is the Business Activity Index which is a diffusion index calculated from a single question that asks for changes in the volume of business activity or output compared with one month previous. An Index above 50 indicates growth from the previous month.

Prior to any impacts from COVID-19, the West Midlands Business Activity Index was 51.2 in February, this dropped to 36.1 in March and then to an all time low of 10.9 in April. The Business Activity Index registered at 27.9 in May and since June the Index has remained above 50 with the latest figures for September at 58.5.

Compared to the other 12 UK regions the West Midlands had the fourth highest Business Activity Index in September 2020.

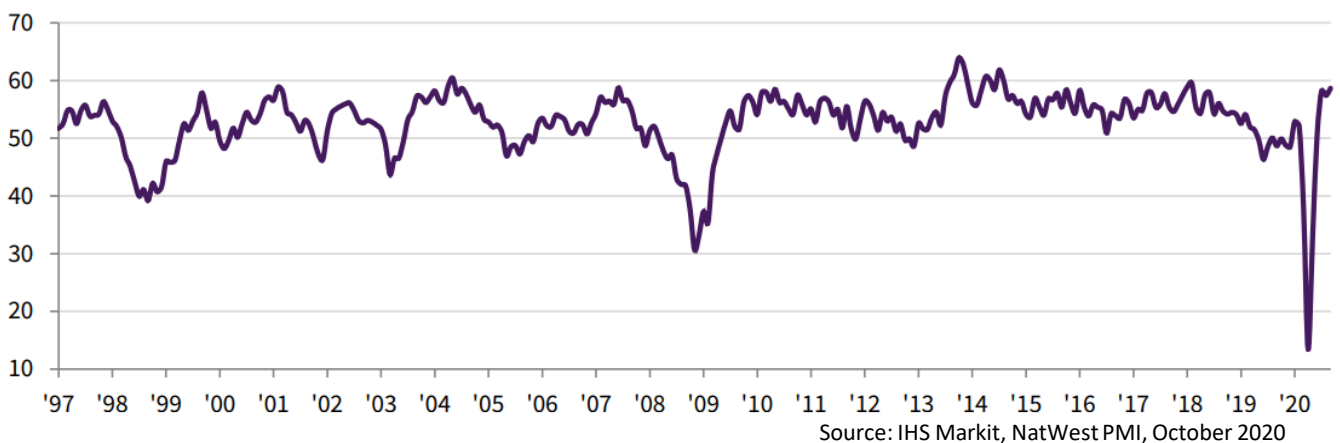
Figure 3: A Timeseries of the West Midlands Business Activity Index (sa, >50 = growth since previous month):



Similar patterns can be seen in the East Midlands, with the Business Activity Index reported at 52.1 in February to 37.6 in March and then to an all time low of 13.5 in April. The Business Activity Index registered at 32.6 in May and has remained above 50 since June with the latest figures reported at 58.6 for September.

The latest data rounded off a strong end to the quarter, indicating the strongest performance since the third quarter of 2014. Compared to the other 12 UK regions the East Midlands had the third highest Business Activity Index in September 2020.

Figure 4: A Timeseries of the East Midlands Business Activity Index (sa, >50 = growth since previous month):



Source: IHS Markit, NatWest PMI, October 2020

Business Activity Index stood at 58.5 in the WM and 58.6 in the EM in September after an all time low of 10.9 (WM) and 13.5 (EM) in April.

Future Business Activity Index stood at 67.8 in the WM and 71.2 in the EM in September after lower recordings of 55.9 (WM) in March and 55.6 (EM) in April.

Export Climate Index stood at 52.3 in the WM and 50.8 in the EM in September after a low of 24.5 (WM) and 21.5 (EM) in April.

Impact of COVID-19 on the Labour Market

The employment rate for the three months ending August 2020 was 74.5% for the West Midlands Region and 75.4% for the East Midlands Region. This has increased by 0.2 percentage points (pp) in the West Midlands and decreased by 1.6pp in the East Midlands when compared to March to May 2020. The overall, UK employment rate was 75.6%, decreasing by 0.3pp when compared to the three months ending May 2020.

The unemployment rate for the three months ending August 2020 was 4.6% for the West Midlands Region and 4.4% for the East Midlands Region. This has decreased by 0.4pp in the West Midlands (the only UK region to experience a decrease) and the East Midlands increased by 0.3pp compared to the three months ending May 2020. The overall, UK unemployment rate was 4.5%, increasing by 0.4pp since the previous quarter.

The economic inactivity rate for the three months ending August 2020 was 21.8% for the West Midlands Region and 21.0% for the East Midlands Region. This had increased by 0.2pp for the West Midlands and 1.4pp for the East Midlands when compared to March to May 2020. The overall UK economic inactivity rate was 20.8%, remaining the same rate when compared to the previous quarter.

Table 6: The Latest Headline Estimates for Regions of the UK, seasonally adjusted, June to August 2020:

	Employment rate - June to August 2020 (16 to 64 years)	PP Change on March to May 2020	Unemployment rate- June to August 2020 (16 years +)	PP Change on March to May 2020	Inactivity rate – June to August 2020 (16 to 64 years)	PP Change on March to May 2020
UK	75.6%	-0.3pp	4.5%	0.4pp	20.8%	0.0pp
Great Britain	75.7%	-0.3pp	4.5%	0.4pp	20.6%	0.0pp
England	76.0%	-0.3pp	4.5%	0.4pp	20.3%	0.0pp
North East	71.8%	-2.1pp	6.6%	1.4pp	22.9%	0.8pp
North West	75.2%	-0.1pp	4.3%	0.3pp	21.3%	-0.2pp
Yorkshire and The Humber	74.1%	0.1pp	4.2%	0.3pp	22.6%	-0.4pp
East Midlands	75.4%	-1.6pp	4.4%	0.3pp	21.0%	1.4pp
West Midlands	74.5%	0.2pp	4.6%	-0.4pp	21.8%	0.2pp
East	77.4%	-0.4pp	4.1%	0.4pp	19.1%	0.1pp
London	76.1%	0.7pp	5.3%	0.0pp	19.8%	-0.6pp
South East	79.1%	-0.4pp	4.1%	1.0pp	17.4%	-0.6pp
South West	76.7%	-1.6pp	4.1%	0.6pp	19.8%	1.1pp
Wales	72.7%	-1.5pp	3.8%	1.0pp	24.4%	0.7pp
Scotland	73.9%	0.4pp	4.5%	0.0pp	22.6%	-0.4pp
Northern Ireland	70.6%	-0.3pp	3.7%	1.2pp	26.6%	-0.7pp

Workforce Jobs

There were an estimated 35.41 million workforce jobs in the UK in June 2020, 264,000 less than in June 2019 and 354,000 less than last quarter (March 2020).

The West Midlands Region had 2.9m workforce jobs in June 2020, which is a decrease of 74,033 from June 2019 and a decrease of 9,146 from March 2020.

The East Midlands Region had nearly 2.5m workforce jobs in June 2020, an increase of 2,177 when compared to June 2019. Although 9,634 less when compared to the last quarter.

Early estimates for September 2020 indicate 28.3m payrolled employees - suggesting that the number of employees in the UK on payrolls is up 20,000 from August 2020 but down around 673,000 compared with March 2020.

Nationally, the number of people temporarily away from work rose to almost 7.3m people in April to June 2020 but has fallen to 6.4m people in June to August 2020.

Nationally, June to August 2020 figures show the unemployment rate and the number of redundancies continue to increase, while the employment rate continues to fall.

Impact of COVID-19 on the Labour Market

On 21st August 2020, the third publication of the official Coronavirus Job Retention Scheme Statistics were released. The release includes analysis of claims for the period up to the 30th June – the final date of the CJRS. The release also includes claims that were submitted to HMRC by 31st July (permissible for the period to 30th June 2020).

Across the Midlands Engine 65 local authority geography, there were 1,486,900 workers furloughed over the duration of the Coronavirus Job Retention Scheme, when compared to the second release in July this has increased by 5.9% (+82,800) while for the UK the increase was 2.4%.

The Midlands Engine had 4,549,900 eligible workers, of these 1,486,900 workers have been furloughed which is a take up rate of 33% which is above the UK average of 32%.

The number of workers furloughed vary across the Midlands Engine parliamentary constituencies, from a maximum 20,200 workers furloughed in Leicester East, to 11,100 in Great Grimsby and Staffordshire Moorlands.

Regional Furloughed Workers per Sector

Overall, for the regional Midlands Engine geography (East Midlands and West Midlands), 1,563,100 people have been furloughed which is approximately 33% of those eligible for the scheme.

Across the regional Midlands Engine geography, the highest sector for the number of workers furloughed was in retail sector at 324,300 at 20.7% of the total, which is below the national average of 21.0%. However the highest percentage of workers furloughed per sector was in the visitor economy sector at 73.6% in the regional Midlands Engine area.

The two next highest sectors for the number of furloughed workers in regional Midlands Engine geography were business, professional and financial services at 314,200 (20.1% compared to 23.5%) nationally and visitor economy at 294,300 (18.8% compared to 18.5% nationally).

Table 7: The Proportion of Workers furloughed for the Regional Midlands Engine and England:

	ME Number of Workers Furloughed	% of ME Furloughed	% of England Furloughed	Number of ME Eligible Workers	ME Furloughed Workers as % Eligible Per Sector
Advanced Manufacturing	278,100	17.8%	11.5%	604,800	46.0%
Transport Technologies and Logistics	72,500	4.6%	4.7%	247,000	29.4%
Life Sciences and Healthcare	64,500	4.1%	4.7%	647,500	10.0%
Energy and Low Carbon Technologies	12,000	0.8%	0.7%	57,600	20.8%
Business, Professional & Financial Services	314,200	20.1%	23.5%	1,002,400	31.3%
Digital & Creative	29,100	1.9%	2.6%	137,400	21.2%
Construction	110,500	7.1%	8.0%	192,300	57.5%
Retail	324,300	20.7%	21.0%	772,800	42.0%
Public Sector Inc. Education	54,700	3.5%	4.1%	712,400	7.7%
Visitor Economy	294,300	18.8%	18.5%	389,300	75.6%
Other	9,000	0.6%	0.6%	23,000	39.1%
Total	1,563,200	100%	100%	4,786,500	32.7%

Nationally, there were also around 192,000 people away from work because of the pandemic and receiving no pay in June to August 2020, this has fallen from 419,000 in April to June 2020

Potential Impact of COVID-19 on Private Sector

Employment, Sales & Investment

The following contribution is from Konstantinos Karagounis and Will Rossiter (Nottingham Trent University) and Paul Mizen (University of Nottingham).

The Decision Maker Panel (DMP) is a survey of Chief Financial Officers from small, medium and large UK businesses. It is used to monitor developments in the economy and to track businesses' views. So far over 8,000 executives from small, medium and large UK companies and operating in a broad range of industries have agreed to participate. The panel is designed to be representative of the UK business population, excluding a small number of sectors. The project explores questions on current policy issues and provides valuable insights into companies' perceptions of challenges and opportunities facing the UK economy.

The latest data presented here was drawn from the September wave of the DMP. The business expectations revealed by this survey therefore pre-date recent Government policy decisions including the introduction of tiered regional and local restrictions on activity intended to suppress transmission of the virus. Future monthly waves of the DMP will reveal evidence of the impact of these measures on business expectations. This analysis will be updated on an ongoing basis.

National view

As seen in figure 5, between the July and September surveys there has been an improvement in the sales and investment outlook but a deterioration in the employment outlook. Expectations exhibit some volatility from month to month but the 3-month average indicates that business executives appear more optimistic now than they did earlier on during the pandemic.

While the magnitude of the expected COVID-19 impact has improved since the onset of the crisis, the trends remain consistent. Importantly, businesses do not expect to return to pre-crisis levels until after 2021 Q2.

Using the 3-month average, business executives expect sales to be 15.5% lower than they would otherwise be in 2020 Q3. Sales are expected to improve slightly in the next quarter indicating uncertainty for the remainder of 2020. Expectations improve more rapidly for the next calendar year and, by 2021 Q2, sales are expected to be 5.3% below potential. However, the September survey displays a different curve, with sales expected to remain at 14.4% for two last quarters of 2020 and improving by less in the first quarter of 2021.

Employment in 2020 Q3 is expected to be 7.1% lower than otherwise and is anticipated to fall even further in the next quarter, to -8.2%, before gradually improving. The lagged decline in employment as compared with sales and investment likely reflects the costs associated with redundancies and loss of skilled workers as well as anticipated changes to the CJRS.

The September survey indicates a worse outlook than the previous two surveys for every subsequent quarter.

Investment exhibits the most volatility and is best represented by the 3-month average. In 2020 Q3, investment is expected to be 26.2% lower than it would otherwise have been. Businesses expect a gradual increase in investment that remains below its potential well into 2021.

Figure 5: Quarterly Sales, Employment and Investment Expectations (Jul-Sep DMP surveys):



Potential Impact of COVID-19 on Private Sector Employment, Sales & Investment

Sectoral view

The crisis is affecting some industries more than others and this is reflected in the sectoral breakdown of the DMP survey. The challenges faced by different sectors varies over time and improvements in the outlook for each sector differs depending on the variable in question.

While the accommodation and food sector has been impacted severely by the crisis and shows the largest expected decline in investment, the latest survey indicates that the sector is expected to experience smaller declines in sales and employment in 2020 Q3 than other sectors. The recovery trend is also different to other sectors as accommodation and food sales are expected to deteriorate in 2020 Q4 whereas most other sectors expect an improvement. Wholesale and retail is the only sector that expects a recovery in sales by 2021 Q2 while no sector expects employment to recover within this period.

The differences in the sectoral impact can be particularly consequential as barriers to cross-sectoral labour mobility can lead to sector-specific persistent unemployment. In turn, this can have disproportionate impacts on geographies that rely more on highly affected sectors.

Table 8: Breakdown of September DMP survey by Broad Sector:

Expected impact of Covid-19 on sales/employment/capital expenditure, average percentage impacts (September 2020 survey)												
	Sales				Employment				Investment			
	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
Manufacturing	-12.1	-10.7	-9.0	-6.0	-7.5	-7.0	-6.6	-5.1	-29.4	-23.3	-15.7	-7.8
Other Production	-5.4	-4.9	-2.8	-2.2	-3.0	-2.5	-1.0	-0.2	-9.2	-8.4	-7.3	0.5
Construction	-14.6	-10.9	-9.9	-5.6	-6.2	-4.9	-6.4	-4.5	-10.6	-12.7	-9.2	-4.7
Wholesale & Retail	-4.5	-11.0	-8.3	2.2	-5.6	-8.3	-7.6	-6.6	-24.2	-21.3	-11.0	-8.9
Transport & Storage	-19.9	-16.4	-14.3	-10.1	-6.0	-5.0	-4.7	-3.8	-37.0	-31.5	-27.3	-28.0
Accommodation & Food	-13.3	-17.8	-16.3	-10.2	-9.7	-13.4	-12.8	-9.4	-43.8	-35.6	-18.9	-1.3
Info & Comms	-13.5	-9.0	-8.1	-3.5	-4.2	-4.3	-2.3	-1.1	-21.6	-17.4	-10.3	-11.3
Finance & Insurance	-14.4	-15.2	-10.0	-7.9	-9.3	-9.4	-7.2	-6.4	5.8	-2.7	-0.6	7.1
Real Estate	-21.0	-18.7	-19.0	-8.2	-15.7	-2.6	-3.8	-2.7	-7.0	-4.9	-4.1	-6.2
Prof & Scientific	-14.2	-11.6	-8.3	-1.5	-6.9	-8.5	-6.4	-5.9	-24.3	-15.2	-7.8	-3.2
Admin & Support	-27.5	-24.5	-18.7	-12.2	-16.3	-16.9	-11.3	-9.5	-2.4	1.2	-5.9	0.1
Human Health	-18.5	-13.2	-9.7	-4.5	-4.8	-5.9	-2.8	-1.6	-16.9	-8.6	-5.8	-10.5
Other services	-24.3	-20.8	-18.0	-11.5	-4.9	-4.2	-5.2	-9.5	-30.3	-26.9	-20.6	-12.8

Regional view

Applying sectoral data from the DMP survey allows for a local and regional forward-looking view of the economic impact of the crisis.

To smooth the month-on-month volatility of the survey responses we use the average of the last three months' responses. Using a 3-month average dampens the geographical differences but provides a more reliable forward-looking estimate. The method used do not reflect any regional data from the DMP and instead reflects the different industrial compositions in each local authority.

Employment

Employment across the Midlands Engine could fall by 8.1% in 2020 Q4. As seen in figure 6, the largest decline in employment is expected in East Lindsey and Derbyshire Dales with an estimated decline of 9.1% and 8.9% respectively. The least impacted areas are Ashfield and Stoke-on-Trent with an estimated decline of 7.6%.

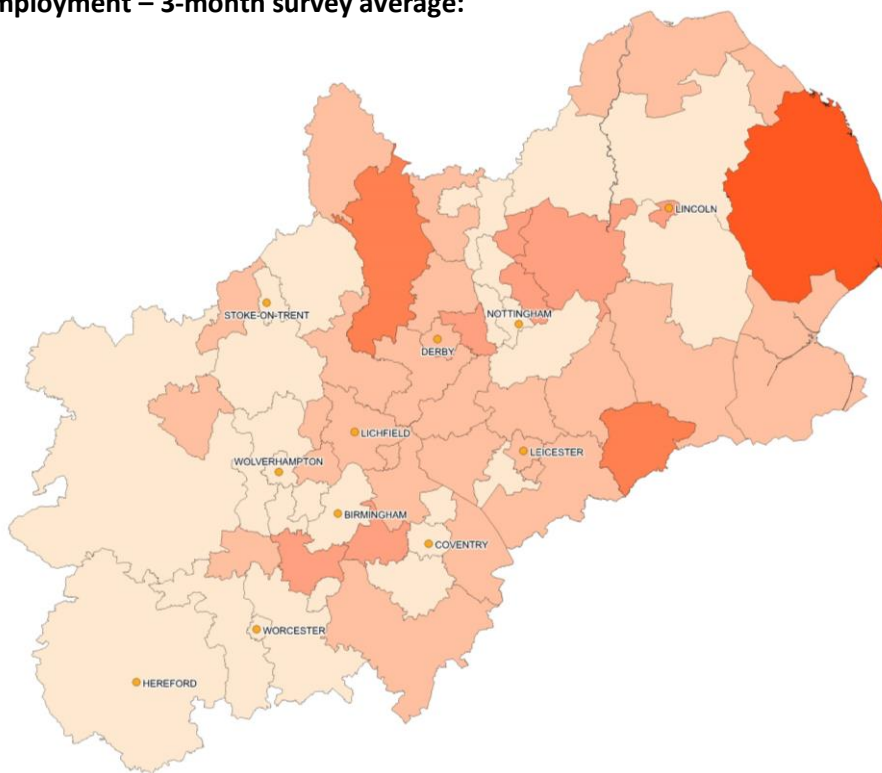
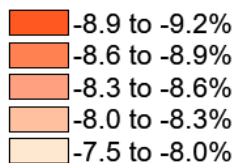
On average, the East Midlands (including North and North East Lincolnshire) and West Midlands are expected to experience similar declines in employment in 2020 Q4 at approximately 8.1%. However, the largest impact in the East Midlands is -9.1% (East Lindsey), whereas the largest impact in the West Midlands is Bromsgrove at -8.6%. Over a third of the expected decline in employment in East Lindsey is explained by the accommodation and food sector, whereas a third of the decline in Bromsgrove is explained by the administration and support sector.

Therefore, the sectoral composition of each local authority is a key factor in determining local vulnerabilities to the crisis. More importantly, successful responses to the economic challenges need to account for these geographical and sectoral differences.

Potential Impact of COVID-19 on Private Sector Employment, Sales & Investment

Figure 6: Expected Change in Employment – 3-month survey average:

Growth in Employment 2020 Q4

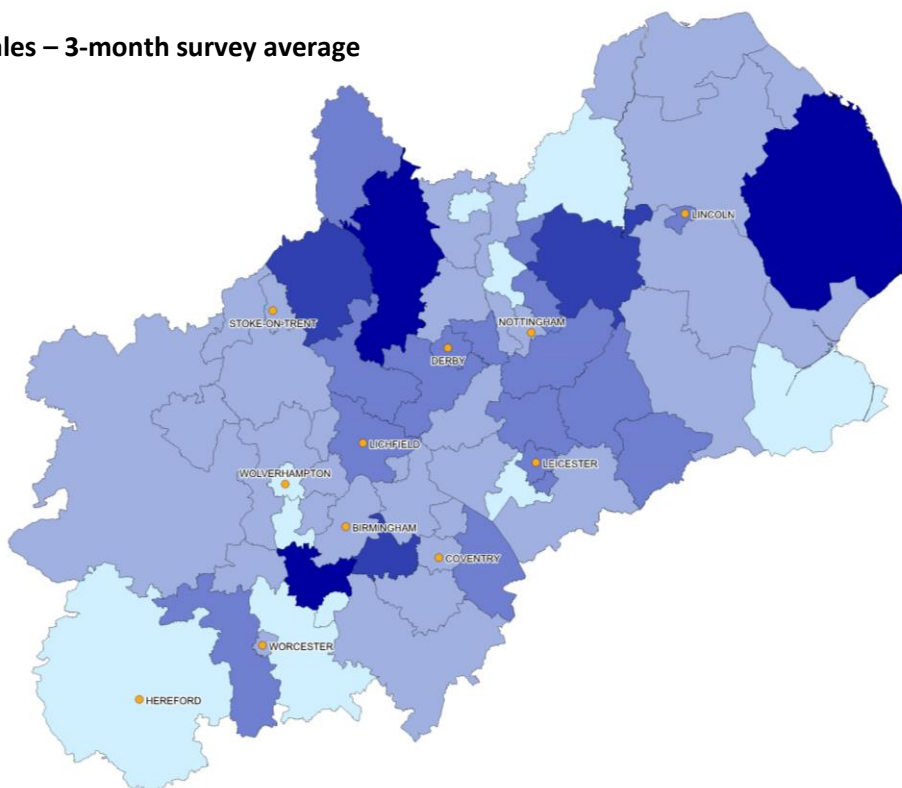
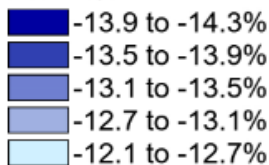


Sales

Sales in the Midlands Engine local authorities are expected to decline by an average of 13% by 2020 Q4 – in line with the national estimate. However, Derbyshire Dales, East Lindsey and Bromsgrove are expected to experience a 14% or worse decline in sales. Ashfield, Herefordshire, Redditch and Blaby are expected to experience the smallest 2020 Q4 decline in sales between -12.4% and -12.1% as seen in figure 7. Even the least hard-hit areas face a major decline in sales. The accommodation and food sector accounts for most of the decline in sales across the Midlands Engine. Those local authorities with a high reliance on this sector are also likely to experience higher declines in sales.

Figure 7: Expected Change in Sales – 3-month survey average

Growth in Sales 2020 Q4



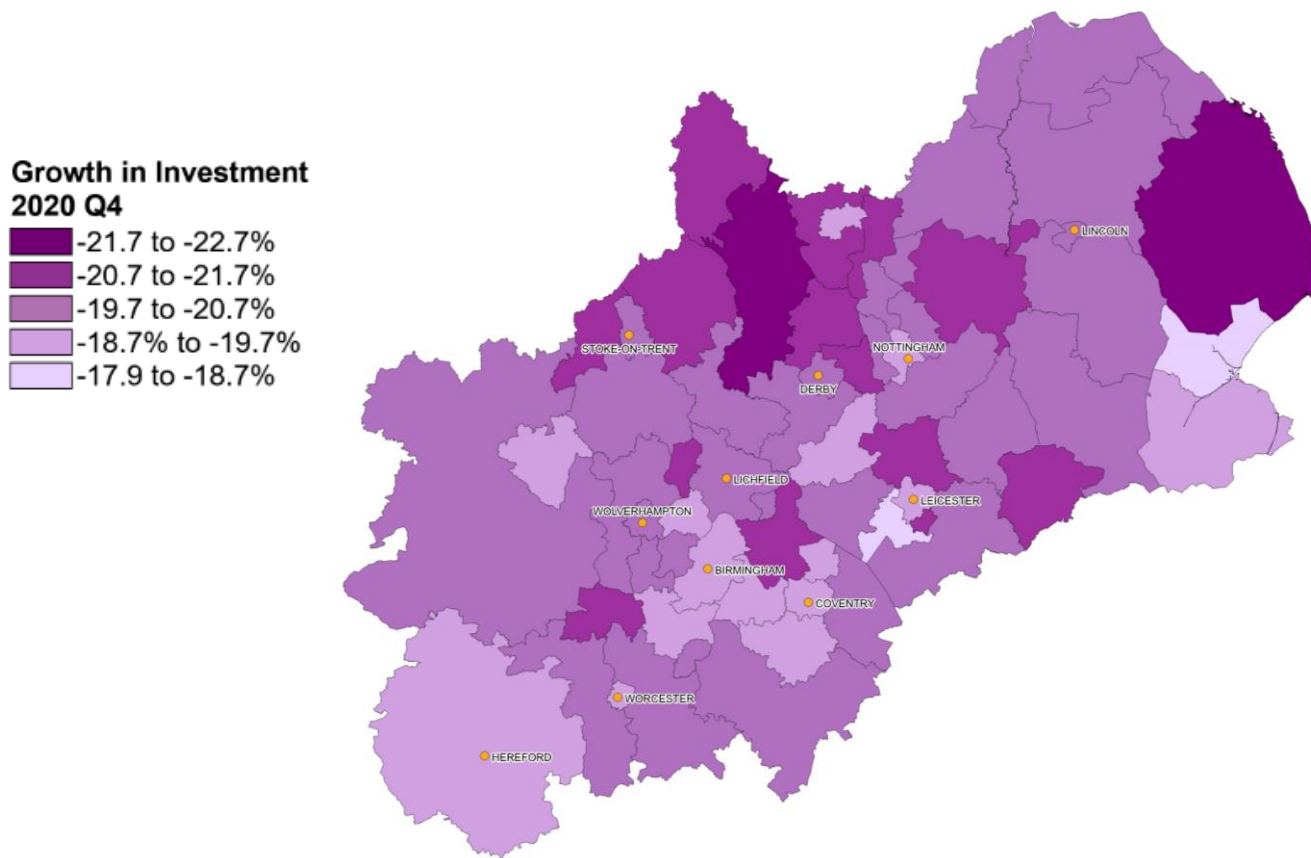
Potential Impact of COVID-19 on Private Sector Employment, Sales & Investment

Investment

Investment is expected to decline by 20.2% in 2020 Q4 across the Midlands Engine – this is higher than the national estimate of 19.7%. The East Midlands is estimated to decline by 20.4% compared with 20% in the West Midlands.

As seen in figure 8, there is considerable local variability in investment with the biggest estimated decline of 22.7% expected in Derbyshire Dales and East Lindsey, and the smallest decline of 17.9% in Boston. While accommodation and food sector accounts for much of the estimated decline in investment, the local variation is affected by a reliance on manufacturing and wholesale and retail.

Figure 8: Expected Change in Investment – 3-month survey average



In general, the strongest implied impacts are evident in local authorities that have higher proportions of local employment in sectors such as tourism, manufacturing and retail. Local variations in sales and investment expectations point to the possibility that the pace of recovery will vary at the local level for similar reasons.

Policy Implications

The DMP based scenarios for employment, sales and investment provide evidence of the importance of spatially and sectorally targeted interventions to support employment and businesses. This is a consequence of the differing sectoral composition of employment across local areas in the Midlands.

The introduction of additional (variable) local restrictions on activity in order to suppress transmission of the virus could exacerbate these differences. This may make the case for spatially targeted support stronger.

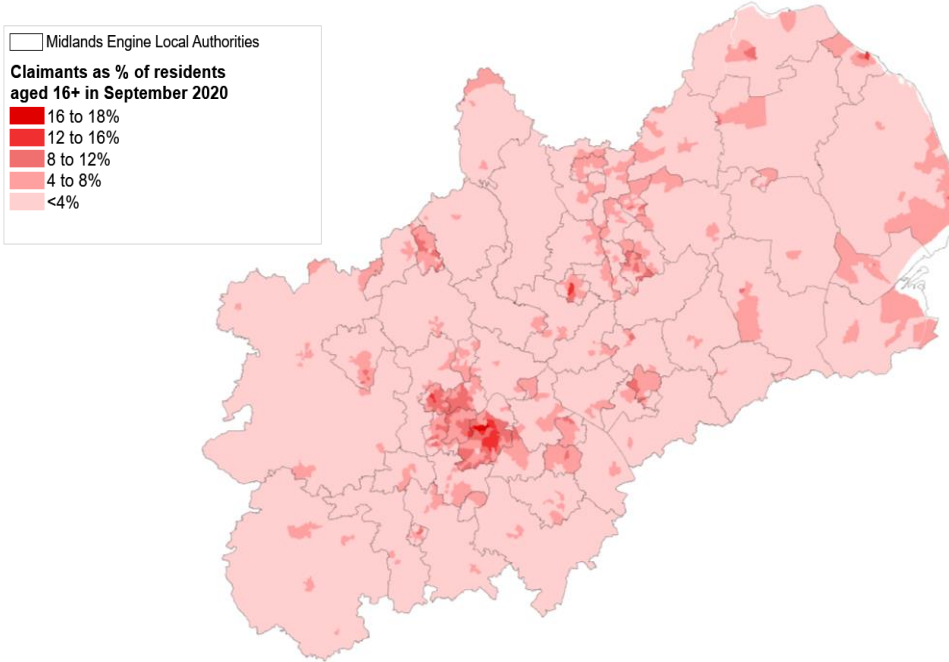
Data on expected sales and investment from the DMP for the next four quarters also suggests that the pace of any recovery is likely to vary across the Midlands.

Impact of COVID-19 on Claimants

In September 2020, there were 428,515 claimants aged 16 years and over in the Midlands Engine. This has increased by 3,425 claimants since August 2020 (+0.8% - matching UK growth). There are 216,975 (+102.6%, UK +113.6%) more claimants when compared to March 2020.

The number of claimants as a percentage of residents aged 16 years old over was 2.7% (UK 2.4%) in March 2020, this has increased to 5.1% in September (UK 5.0%).

Figure 9: Claimants as Percentage of Residents Aged 16 Years and Over in September 2020:

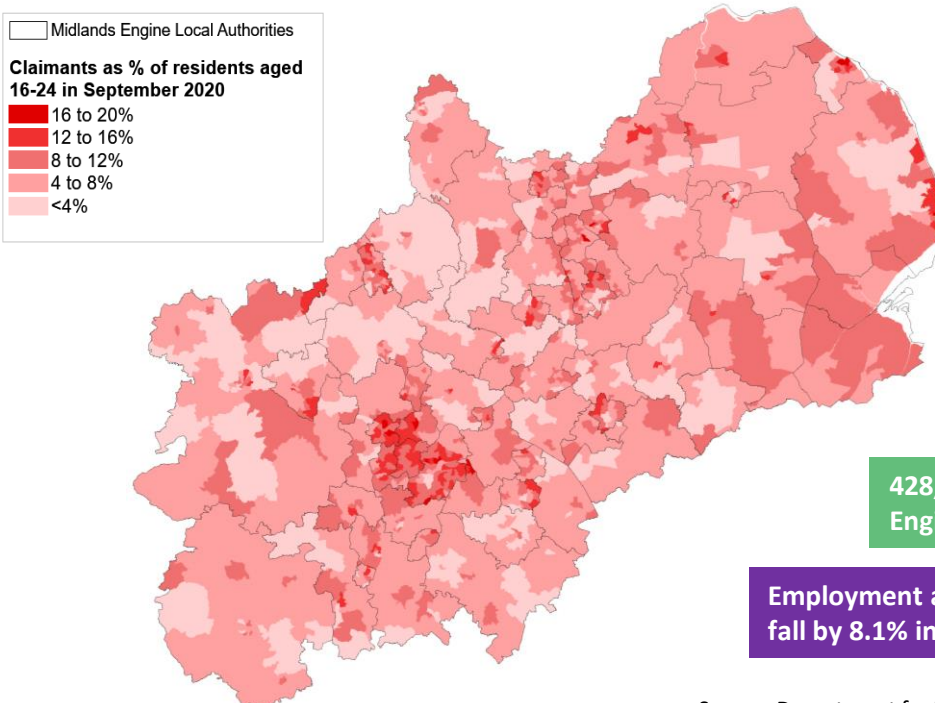


Out of the 1,511 wards within the Midlands Engine, 418 were at or above the UK average of 5.0% for the number of claimants as percentage of population – the top 3 were in Birmingham – Birchfield and Handsworth both at 17.5%, followed by Lozells at 17.4%.

In September 2020, there were 88,560 claimants aged 16 -24 years old in the Midlands Engine. This has increased by 1,085 claimants since August 2020 (+1.2%, UK +1.4%). There are 44,365 (+100.4%, UK +121.9%) more youth claimants when compared to March 2020.

The number of claimants as a percentage of residents aged between 16 to 24 years old was 3.8% (UK 3.4%) in March 2020, this has increased to 7.7% in August (UK 7.6%).

Figure 10: Claimants as Percentage of Residents Aged 16 – 24 years old in September 2020:



Out of the 1,511 wards within the Midlands Engine, 650 were at or above the UK average for the number of claimants as a proportion of the population aged 16 – 24 years old. At the highest end of the scale was Portland in Mansfield at 19.2%, followed by East Marsh in North East Lincolnshire at 18.8%.

428,515 claimants in the Midlands Engine in September 2020.

Employment across the Midlands Engine could fall by 8.1% in 2020 Q4.

Qualitative Insight

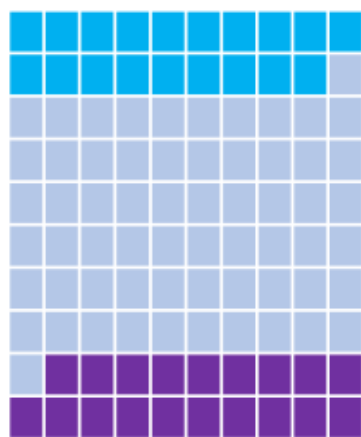
- Sectoral impacts of Covid-19 and the associated lockdown measures have been very diverse. Apparently related or similar sectors have often fared very differently. This makes it difficult to generalise about the business impact of Covid-19;
- In general, initial business concerns focussed on cashflow. As the consequences of national lockdown and widespread social distancing became clearer, business concerns shifted to staffing levels and the measures necessary to ensure social distancing and 'Covid safe' operation;
- Possession of E-commerce and remote working capabilities (IT platforms) have been important sources of resilience for many businesses;
- Welcome though many support measures have been, concerns remain about the operation and coverage of Government business support initiatives and particularly the situation of those businesses and individuals who, for a variety of reasons, appear to be 'falling through the cracks'. Similar concerns are now being raised in relation to the application of the 'Kick Start' scheme to small businesses likely to recruit fewer than 30 young workers;
- Specific gaps in coverage of support measures include some self-employed and company directors who are paid by dividend;
- Concerns about the nature of business support provided focus on the reliance on loans and the potential consequences that this may have for future business sustainability;
- The long-term future of tourism, entertainment and other sectors characterised by 'social consumption' in a 'socially distanced' world is an increasing focus of concern – notwithstanding moves to open some of these sectors since the 4th July;
- The Furlough scheme has been successful in reducing redundancies to date, but evidence is growing – particularly in manufacturing and from sources such as the Bank of England Decision Maker Panel - that as this scheme 'tapers-off' firms will move to redundancies on a significant scale;
- As businesses planned for return to work with the easing of lockdown, concerns have been identified about the viability of previous business models under conditions of social distancing. Social distancing requirements could increase unit costs to a level that threatens the viability of some businesses. Revised guidance on social distancing and the move to '1 metre plus' is thought to have made a difference here;
- It is a major concern that manufacturing sectors identified as amongst the Region's strongest performers in advance of the Pandemic – such as automotive and aerospace – are now amongst the most threatened;
- The local lockdown in Leicester has borne heavily on businesses that incurred significant costs in preparation for the anticipated opening of additional sectors on 4th July. The flexibility to return workers affected by the lockdown to furlough was welcome, but additional financial support is required if this circumstance is not to result in additional business failures. It is likely that Leicester based businesses unable to trade have lost business to competitors based outside the lockdown; and
- The diverse nature of sectoral impacts coupled with recent experience of local lockdown are strongly suggestive of the need to develop both sectorally and spatially targeted business support measures.

Performance Pre COVID-19

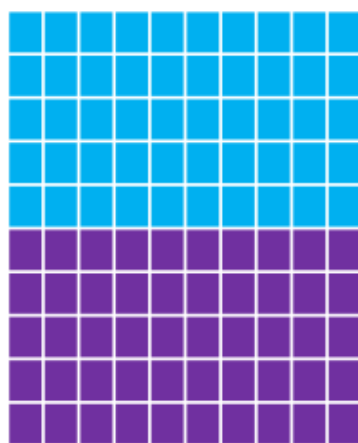
The statistics used in this section of the report predominantly cover periods prior to the current Coronavirus pandemic due the lagging nature of annual reporting

The data used is accurate as at end of August 2020

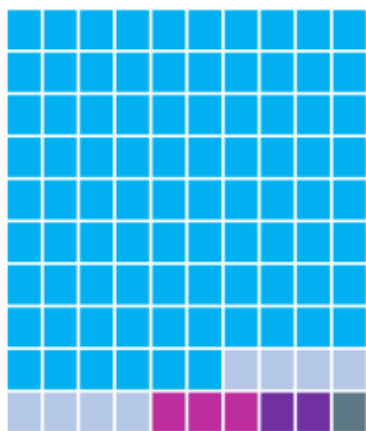
If the Midlands was 100 People



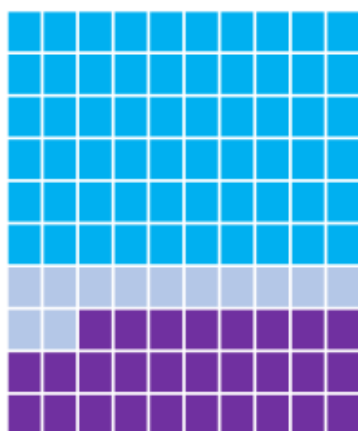
Age Band
 Children
 Working age adults
 65 and over



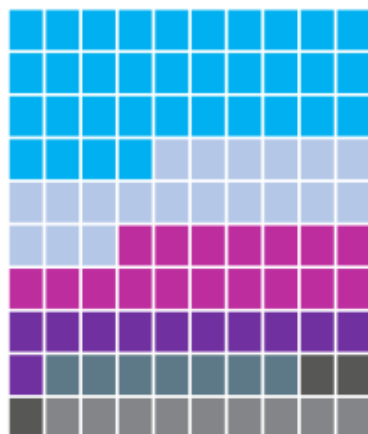
Gender
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 Female



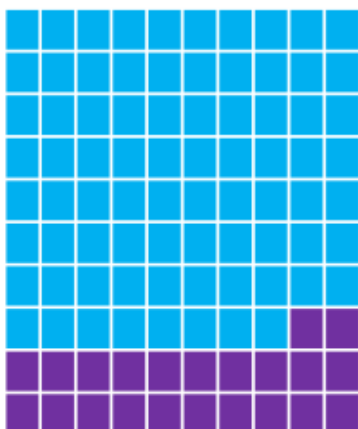
Ethnicity
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 Asian/Asian British
 Black/Africa/Caribbean
 /Black British
 Other
 Mixed/Multiple ethnic



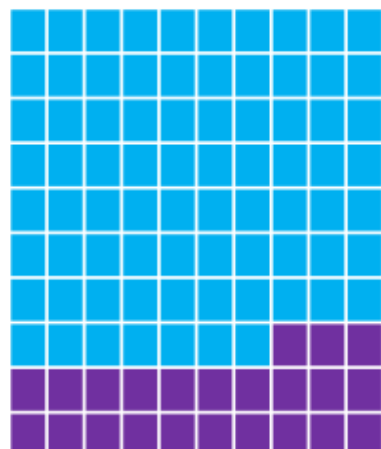
Physical Activity
 Physically Active
 Fairly active
 Inactive



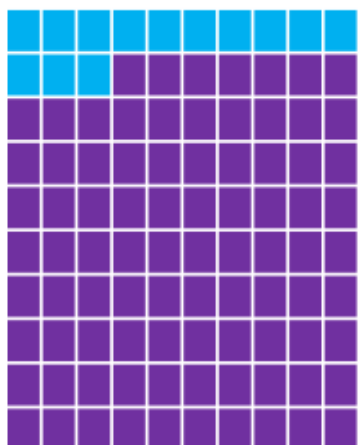
Qualifications
 NVQ4 and above
 NVQ 3 (only)
 NVQ 2 (only)
 NVQ 1 (only)
 Other
 Trade Apprenticeships
 No Qualifications



Employment Pool
 Working age
 and active
 Working age
 and inactive

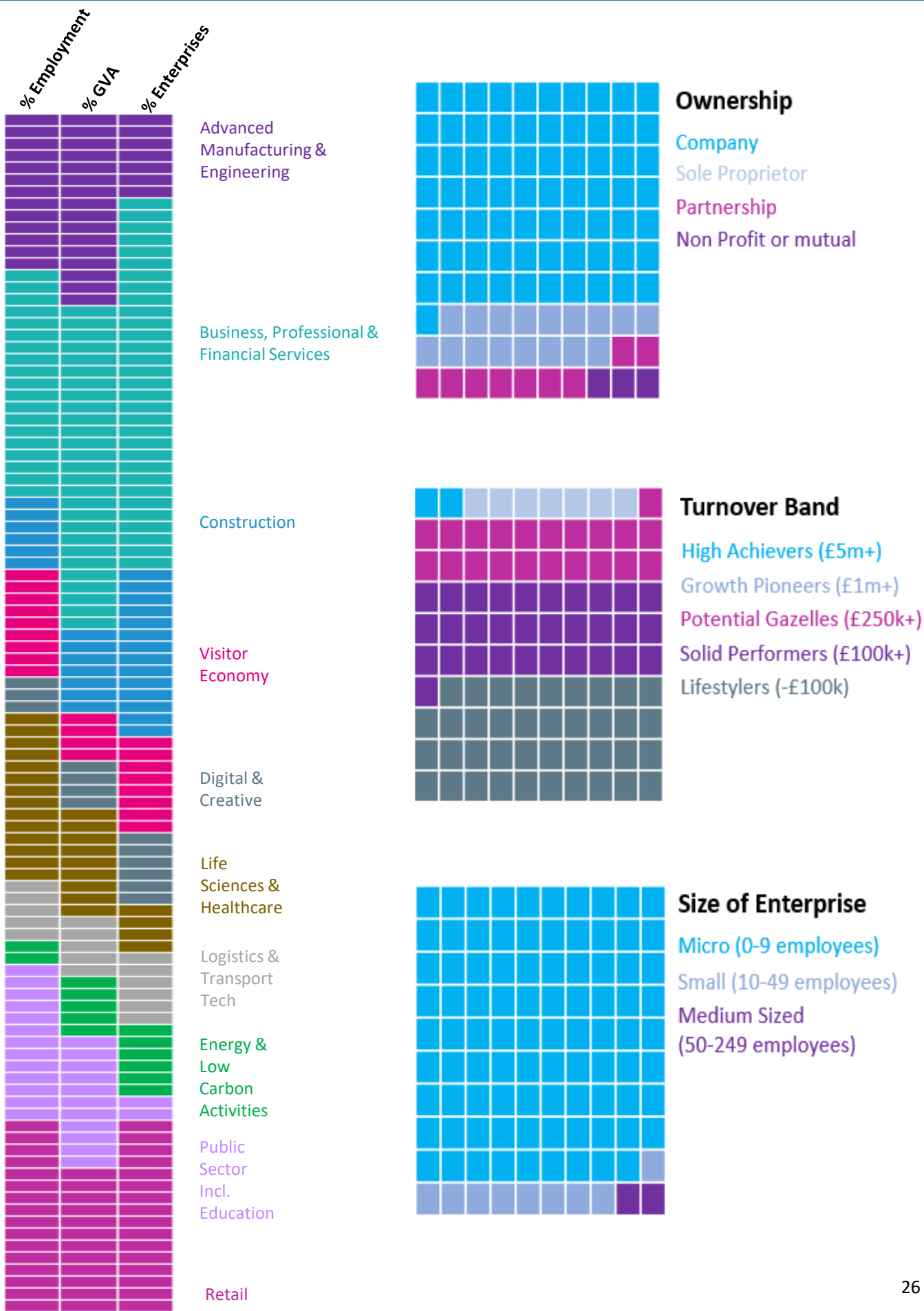


Living Wage Foundation
 Earning above
 Earning below



Deprivation
 Residents living in
 10% most deprived
 Residents not living
 in 10% most deprived

If the Midlands was 100 Enterprises



Key Past Trends Performance Indicators

The green indicators are where the Midlands Engine has improved at a faster rate than the national average. Orange demonstrate where the Midlands Engine has either remained the same or is going in the right direction but not as quickly as the national average and red indicates a decline.

To note these data are largely pre COVID-19 due to the lagging nature of the data.

Outperforming Indicators



Total GVA: £238.6bn

Increasing at a higher rate than the UK average at 3.5% (+£8bn) vs 3.4% (2017-2018)



GVA per Head: £23,190

+2.8% (+£627) growth compared to +2.7% UK (2017-2018)

Shortfall of £5,539 to the UK Average



Active Enterprises: 397,960

Increasing above the UK average: +1.1% (+4,480) vs +0.5% (2017-2018)



Enterprise Births: 49,775

+0.9% (+430) growth compared to decrease of 0.3% for the UK (2017-2018)



Employment Rate: 74.7% (4.7m people)

+0.8pp compared to +0.7pp UK (Year Ending March 2019)

To reach the UK average of 75.9%, an additional 77,625 required to be employed



School Readiness: 70.6%

+0.8pp compared to an increase of 0.3pp England (2017/18- 2018/19)

To reach the England average 71.8% requires an improvement of +1.2pp



NVQ4+ Qualifications: 34.0% (2.1m people)

+3.8% (+77,800 people) compared to +2.9% UK (2018-2019)

To reach the UK average of 40.2%, an additional 390,322 need to be upskilled



No Qualifications: 9.1% (572,800 people)

-3.5% (-20,600 people) compared to a decrease of -1.3% UK (2018-2019)

To reach the UK average of 7.9%, an additional 76,609 need to gain one qualification



Apprenticeship Starts: 78,700

+5.8% (+4,290 people) compared to +4.7% England (2017/18 - 2018/19)



Foreign Direct Investment: 242 Projects

+8.0% (+18 projects) compared to +3.9% UK (2018/19-2019/20)



Unemployment Rate: 4.5% (222,700 people)

-0.4pp decrease compared to -0.3pp for the UK (Year Ending March 2019 compared to March 2020)

To reach the UK average of 3.9%, an additional 30,473 people need to be employed.

Key Past Trends Performance Indicators

Required Improvement



Gross Disposable Household Income: £185.2bn

+4.9% growth compared to +5.3% UK (2017 – 2018)



Gross Disposable Household Income: per capita £18,003

+4.2% growth compared to +4.6% UK – gap £3,108 (2017 – 2018)



Resident Wages: £28,783

+2.3% (+£644) growth compared to 2.7% UK (2018-2019)

Shortfall of £1,570 to reach UK level.



Progress 8: -0.10

Remained the same compared to a negative change of 0.01 England (2017/18- 2018/19)

To reach the England average -0.03 requires an improvement of 0.07



Male Life Expectancy: 79.5 Years Old

+0.1 years – Matching for the UK since 2015-17

0.2 years above UK average



Female Life Expectancy: 83.1 Years Old

+0.1 years vs no change for the UK since 2015-17

0.2 years above the UK average



Carbon Dioxide Emissions: 6.3 Tonnes Per Capita

Remained the same compared to a 0.1 decrease for England (2017-2018)



Dwelling Stock: 4.4m

+1.0% (+43,620) – Matching the England average growth (2018 – 2019)

Focus on Improvement



Total Regional Exports: £54.6bn Year ending 2020 Q1

A decrease of 1.6% (-£897m) since year ending 2019 Q1 – the UK decreased by 2.2%



NEETs: 6.0%

+0.6pp while England remained the same since 2018



Total Jobs: 4.4m

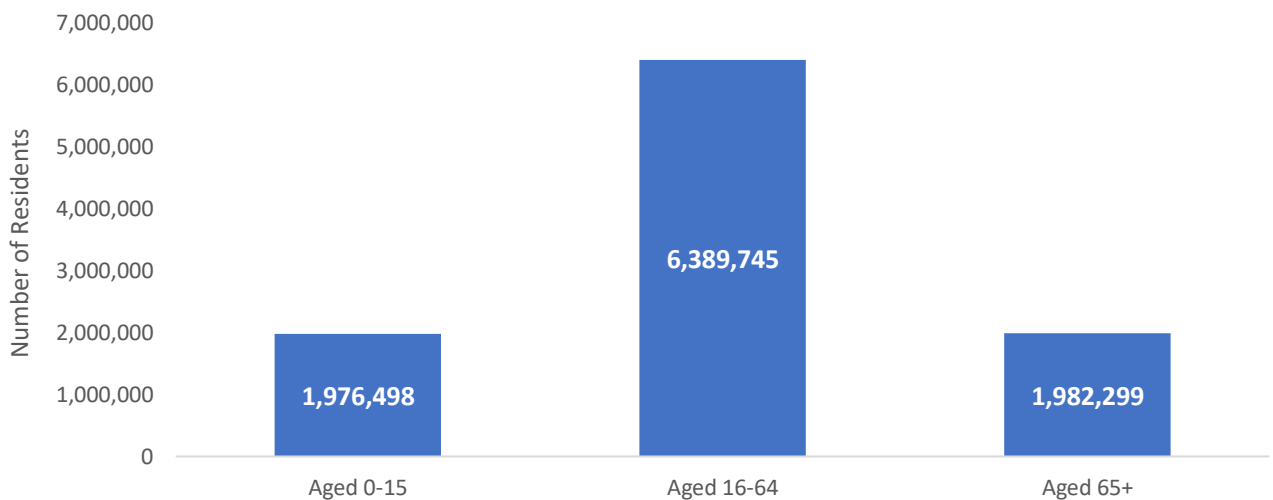
-0.2% (-9,000) compared to an increase across England of 0.6% (2017-2018)

Population

Total population continued to grow in the Midlands Engine area and stood at 10.3m residents in mid-2019 with 50.5% of the population female (50.6% UK) and 49.5% male (49.4% UK). Since mid-2018, the total population increased by 0.6% (+59,432 people) which is slightly above the UK average of 0.5%.

19.1% (1.98m) of residents in the Midlands Engine area were aged between 0-15 years old compared to 19.0% for the UK. 61.7% (6.39m) of people are aged between 16-64 years old in the Midlands Engine area compared to 62.5% for the UK and 19.2% (1.98m) were aged 65 years old and over compared to 18.5% for the UK.

Figure 11: The number of Residents in the Midlands Engine by Three Age Categories:



Source: ONS, Mid- Year Population Estimates, 2020

Life Expectancy

Males

In the years 2016-2018 the average life expectancy for males in the Midlands Engine was 79.5 years old, this is an increase of 0.1 years since 2015-2017. The UK average life expectancy for males during the same time period was 79.3 years old, slightly lower than the Midlands Engine average. This has increased by 0.1 years since 2015-2017.

There are 47 local authorities that are either same or above the UK life expectancy in the Midlands Engine, examples includes; Nottingham and Rutland (both 82.8 years), Warwick and Hinckley and Bosworth (both 81.1 years). Lower life expectancy was seen in Leicester and Wolverhampton, both at 77.2 years.

Females

In the years 2016-2018 the average life expectancy for females in the Midlands Engine was 83.1 years, this is an increase of 0.1 years since 2015-2017. In the same time period, the average life expectancy for females across the UK was 82.9 years old, 0.2 years lower than the Midlands Engine value. The UK average has stayed the same since 2015-2017.

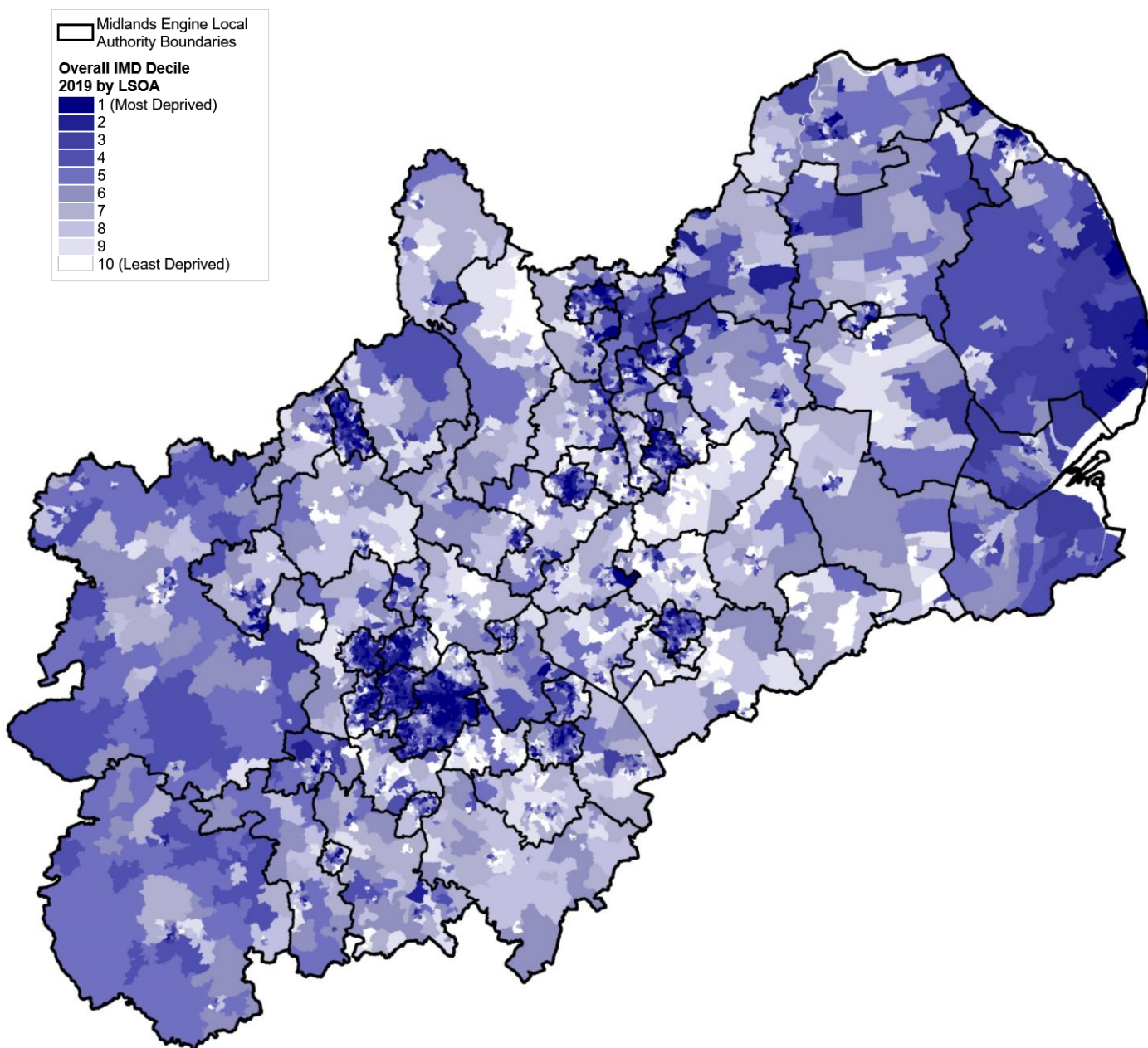
There are 40 local authorities that are either the same or above the UK life expectancy in the Midlands Engine, examples include; Nottingham and Rutland (both 85.9 years), Wychavon (85.1 years) and Stratford-on-Avon (84.6 years). Lower life expectancy for females were in Stoke-on-Trent at 80.3 years and Lincoln with 80.5 years.

Deprivation

The 2019 Indices of Multiple Deprivation (IMD) show that 24.8% (1,500 LSOA's) of the Midlands Engine is classed as deprived (in the top 20% of the most deprived areas in England)

Furthermore 13.2% (799 LSOA's) are in the 10% most deprived areas in England.

Figure 12: IMD Decile by Midlands Engine LSOA's:



Across England, 88% of neighbourhoods that are in the most deprived decile according to the IMD 2019 were also the most deprived according to the IMD 2015.

Deprivation is dispersed across England. 61% of local authority districts contain at least one of the most deprived neighbourhoods in England.

Productivity

The Gross Value Added (GVA) produced across the Midlands Engine geography continues to rise and reached a total of £238.6bn in 2018. This is an increase of 3.5% (+£8.0bn) from 2017, which is slightly higher than the UK average growth rate of 3.4%.

The GVA per head across the Midlands Engine geography was £23,190, up 2.8% (+£627) since 2017. The UK GVA per head is £28,729, an increase of 2.7% since 2017. The gap between the Midlands Engine and the UK GVA per head is £5,539.

Figure 13: Annual Change in Total GVA:

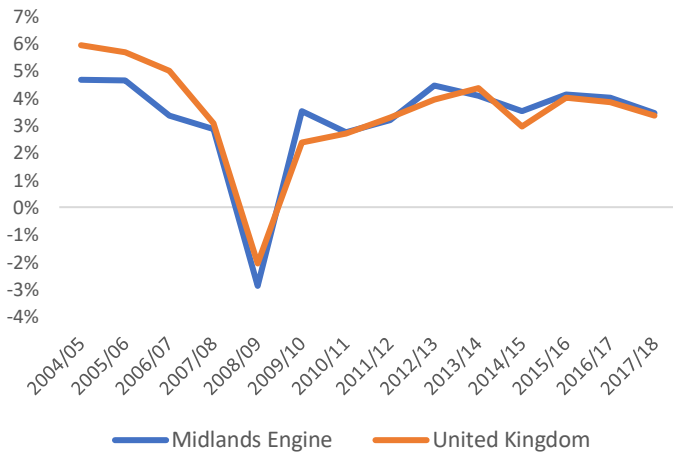
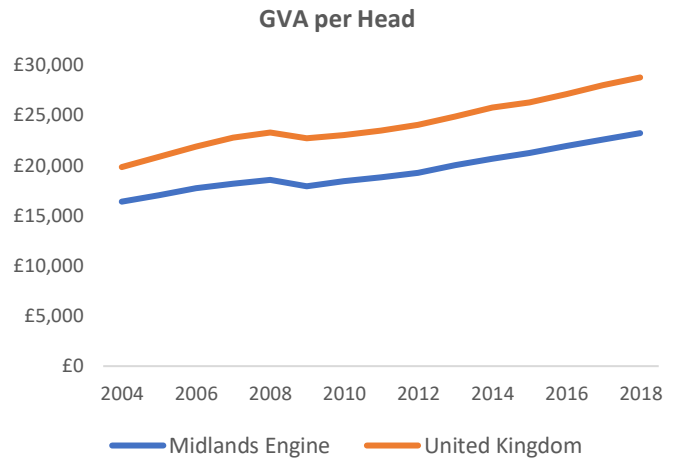


Figure 14: GVA per Head, 2004 – 2018:



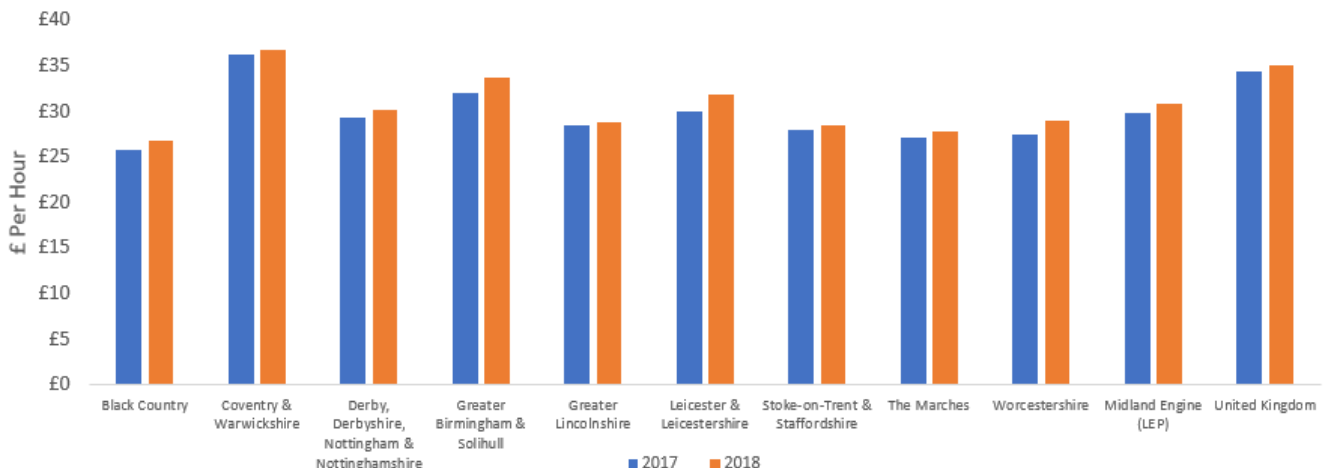
In 2018, the GVA per employee was £54,057 in the Midlands Engine, up by 3.7% (£1,910) since 2017. The national average GVA per employee was £63,261 in 2018, up 2.6%. There is a £9,204 gap between the Midlands Engine and the England average.

GVA per Hour Worked

Across the Midlands Engine LEP level geography in 2018, GVA per hour was £30.80. This has increased by 3.5% (+£1.05) since 2017 which is above the UK average growth of 2.2%. However to reach the UK average of £35.03, the Midlands Engine would need to increase by £4.23.

All LEPs within the Midlands Engine geography saw a growth in GVA per hour compared to the previous year. The highest percentage growth was recorded in Greater Birmingham and Solihull LEP at 4.8% (+£1.54 to reach a total of £33.61 per hour). However, Coventry and Warwickshire LEP had the highest GVA per hour worked in 2018 at £36.75 which is above the UK average.

Figure 15: Unsmoothed GVA per Hour by Midlands Engine LEPs and the UK, 2017 & 2018:



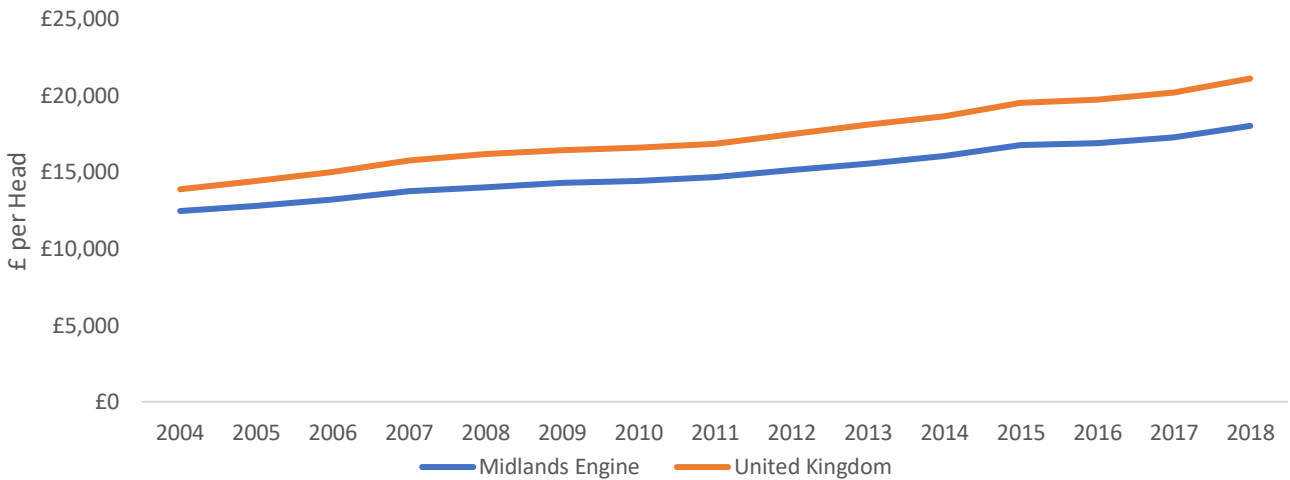
Gross Disposable Household Income & Earnings

Gross Disposable Household Income (GDHI)

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 2018 reached £185.2bn, which is a 4.9% (+£8.6bn) increase from 2017 and above the average UK growth rate of 5.3%.

GDHI per person in the Midlands Engine area was £18,001 in 2018, an increase of 4.2% (+£724) from 2017 while the UK increased by 4.6% over the same period. GDHI per person on average in the UK was £21,109 leading to a shortfall in the Midlands engine area of £3,108 per person.

Figure 16: Gross Disposable Household Income per Head, 2004-2018

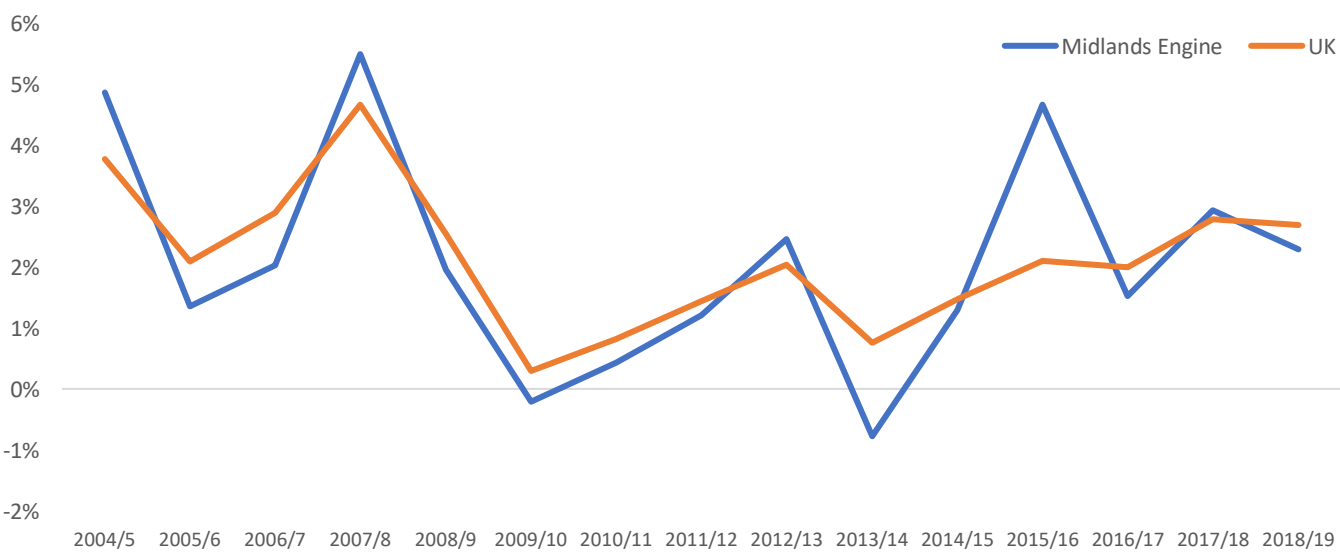


Earnings

Average full-time annual earnings for Midlands Engine residents were £28,783 in 2019. This is an increase of 2.2% (+£644) compared to the UK increase of 2.7%. While average full-time workplace annual earnings in the Midlands Engine was £27,441 in 2018 an increase of £752 (2.8% compared to 2.7% nationally).

The average Midlands Engine resident earns £1,570 less than the UK average (£30,353). Resident earnings currently stand at 94.8% of the UK average. The average workplace earnings in the Midlands Engine is £2,912 less than the UK average.

Figure 17: Annual Change in Resident Earnings:



Sources: Annual Survey of Hours and Earnings, 2019, ONS: Gross Disposable Household Income, 2020

Skills and the Labour Market

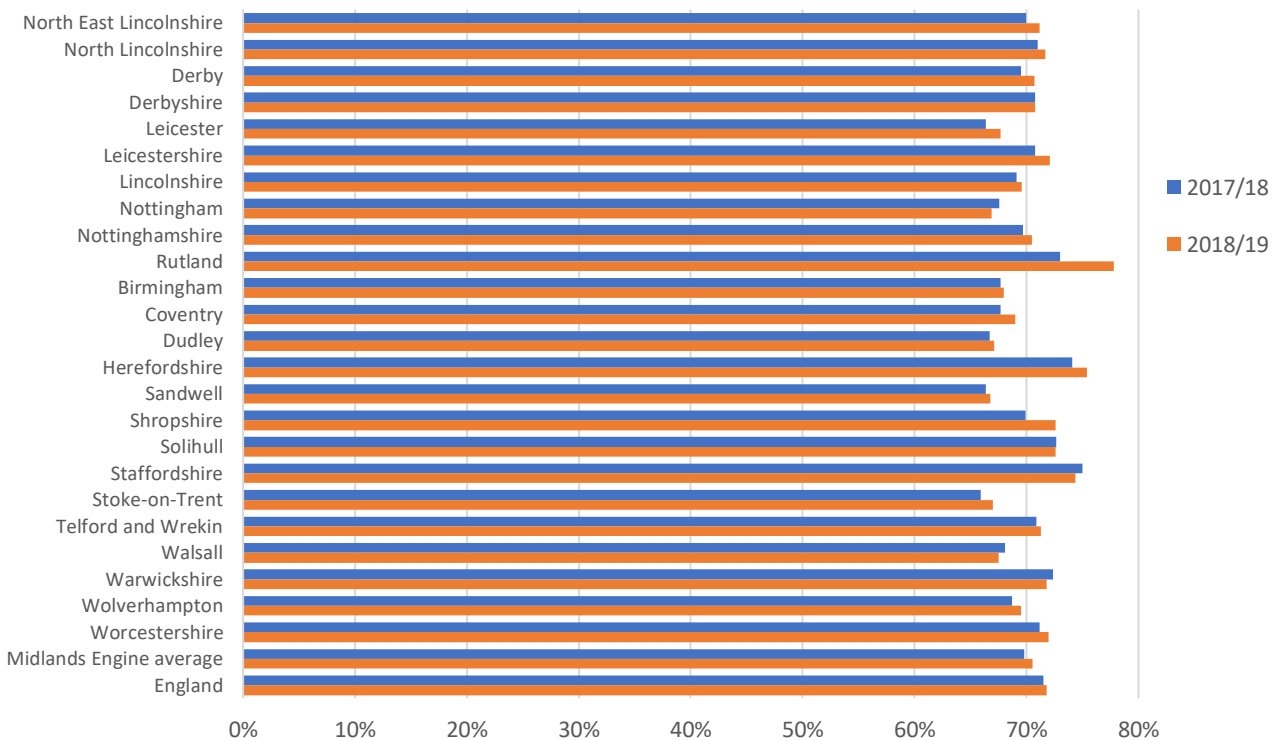
School Readiness and Performance

School Readiness

School readiness at age 5 has a strong impact on future educational attainment and life chances. Children who don't achieve a good level of development at age 5 struggle with social skills, reading, maths and physical skills.

In 2018/19, the Midlands Engine average school readiness score was 70.6%, while the England average was 71.8%. Since 2017/18, this score has increased by 0.8pp for the Midlands Engine and by 0.3pp for England. Eight areas had a higher or the same school readiness achievement score when compared to the England average, examples include; Rutland with 77.8% (which has increased by 4.8pp since 2017/18) and Herefordshire with 75.4%. Areas with a lower school readiness achievement score include; Sandwell with 66.8% and Stoke-on-Trent with 67.0%.

Figure 18: School Readiness Across the Midlands Engine, 2017/18 – 2018/19:



School Performance

Progress 8

Progress 8 is designed to measure how well pupils progress between the end of primary school and the end of secondary school. The score for each pupil is based on whether their actual grades are higher or lower than those achieved by pupils who had similar attainment.

The average Progress 8 score in the Midlands Engine was -0.10, which is lower than the national average of -0.03 in 2018/19. This has changed from -0.08 for the Midlands Engine and from -0.02 for England in 2017/18. Within the Midlands Engine geography five areas had positive Progress 8 scores, these include; Rutland (0.43), Birmingham (0.09) Worcestershire and Nottinghamshire (0.06) and Leicester (0.02).

Attainment 8

Attainment 8 measures a student's average grade across eight subjects – the same subjects that count towards Progress 8. This measure is designed to encourage schools to offer a broad, well-balanced curriculum.

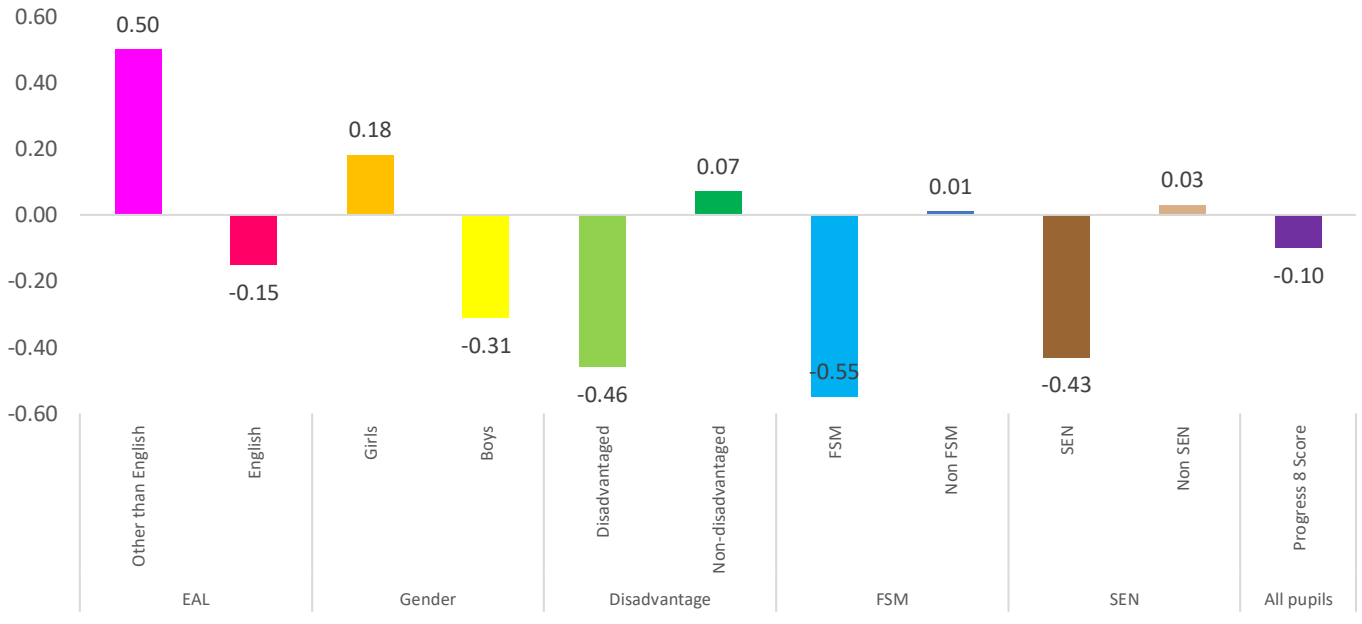
The average Attainment 8 score in the Midlands Engine was 45.3, compared to the national average of 46.7 in 2018/19. This has changed from 45.1 for the Midlands Engine and from 46.5 for England in 2017/18. Within the Midlands Engine geography five areas had scores above the national average, these include; Rutland (51.3), Warwickshire (49.8), Solihull (47.6), Nottingham (47.5%) and Lincolnshire (46.8).

School Performance by Pupil Characteristics

Progress 8 Gap by Pupil Characteristics

The Progress 8 gap between each characteristic were broadly similar in the Midlands Engine. Although, the biggest gap in progress 8 scores in the Midlands Engine was between those whose first language is other than English at a score of 0.50 compared to the first language being English at -0.15.

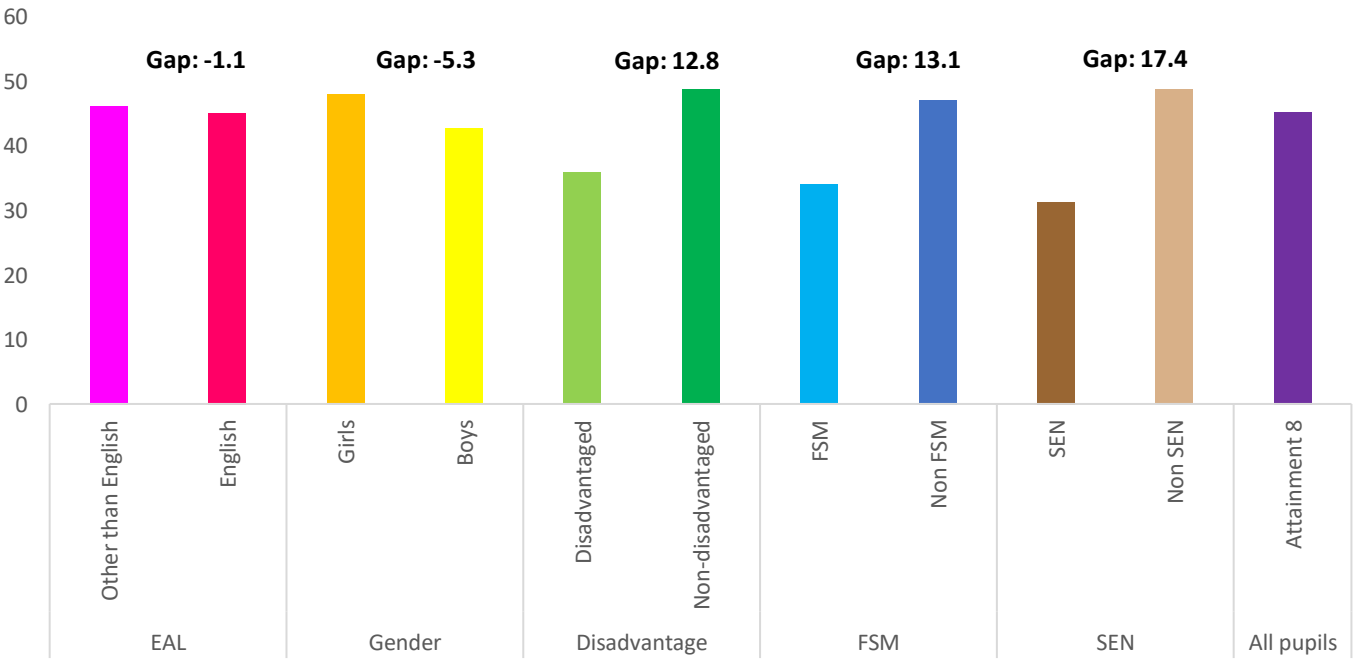
Figure 19: Gaps between Progress 8 Scores by Characteristics for the Midlands Engine Overall:



Attainment 8 Gap by Pupil Characteristics

The Attainment 8 gap varies across pupil characteristics across the Midlands Engine overall. The biggest Attainment 8 gap is those classed with Special Educational Needs (SEN) with a score of 48.7 compared to those that are not classed with SEN at 45.3.

Figure 20: Gaps between Attainment 8 Scores by Characteristics for the Midlands Engine Overall:



Qualifications

Across the Midlands Engine geography, 34.0% (2,134,600) of the working age population (16-64 years old) were educated to NVQ level 4 and above in 2019, the UK average was 40.2%. NVQ4 and above Qualifications have increased by 3.8% (+77,800 people) from 2018, compared to the UK growth of 2.9%. To reach the UK average of 40.2% requires an additional 390,322 people to gain an NVQ4 qualification.

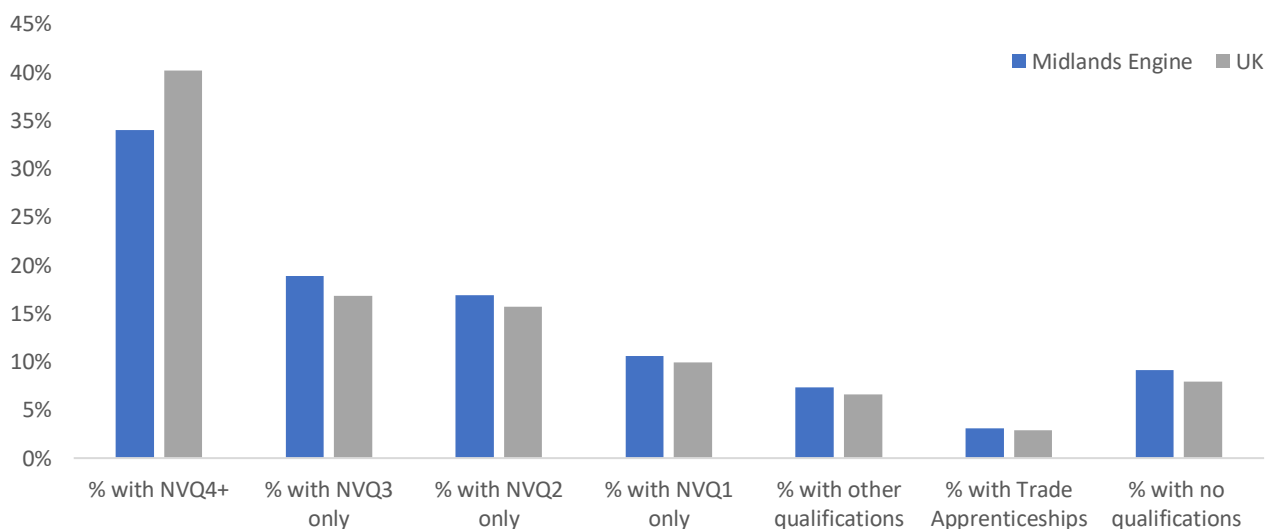
18.9% (1,188,900) hold a NVQ3 qualification in the Midlands Engine area which is above the UK average of 16.8% in 2019. Since 2018, this is an increase of 3.8% (+43,300), while the UK experienced a decrease of 1.1%.

16.9% (1,061,300) hold a NVQ2 qualification in the Midlands Engine which is above the UK average of 15.7% in 2019. Since 2018, the proportion has remained the same percentage but the number of people has decreased by 300 people while the UK decreased by 0.2%.

10.6% (667,300) hold a NVQ1 qualification in the Midlands Engine which is above the UK average of 9.9% in 2019. Since 2018, this is a decrease of 8.4% (-61,000), the UK has decreased by 4.1%.

In 2019, 9.1% (572,800) of the working age population in the Midlands Engine had no qualifications which is above the UK average of 7.9%. However, over the past year there was a 3.5% (-20,600 people) decrease compared to a 1.3% decrease for the UK. Notably, Rugby has decreased from 9,200 people (14.2%) in 2018 to 2,800 people (4.2%) for the number of people with no qualifications. To eradicate the gap with the national average, a further 76,609 working age Midlands Engine residents are needed to obtain at least one qualification.

Figure 21 and Table 9 shows Qualification Levels Across the Midlands Engine and UK:



	2018	2019	2019 %	% UK	Midlands Engine % Change 2017/18	Gap to UK
% with NVQ4+	2,056,800	2,134,600	34.0%	40.2%	+3.8%	+390,322
% with NVQ3 only	1,145,600	1,188,900	18.9%	16.8%	+3.8%	Above UK
% with NVQ2 only	1,061,600	1,061,300	16.9%	15.7%	0.0%	Above UK
% with NVQ1 only	728,300	667,300	10.6%	9.9%	-8.4%	Above UK
% with Other Qualifications	508,600	460,500	7.3%	6.6%	-9.5%	Above UK
% with Trade Apprenticeships	175,900	195,700	3.1%	2.9%	+11.3%	Above UK
% with No Qualifications	593,400	572,800	9.1%	7.9%	-3.5%	-76,609

Qualifications

Since 2004, the proportion of people qualified to NVQ4 and above has steadily increased across the Midlands Engine and the UK. However, the gap between the Midlands Engine and UK has increased from 3.3pp in 2004 to 6.2pp in 2019.

Overall, since 2004 the percentage of people qualified to NVQ4 and above has increased by 64.9% which is slightly below the UK growth of 71.1%.

Figure 22: Percentage of the Working Age Population with NVQ4+ Qualifications:

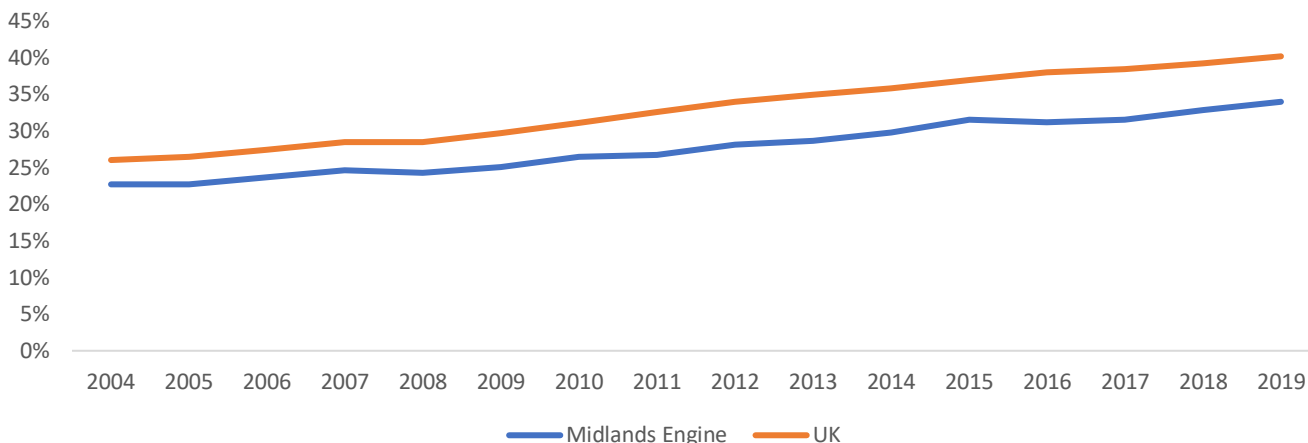


Table 10: Annual Change in People Qualified to NVQ4+ Levels in the Midlands Engine:

2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
+1.3%	+5.4%	+4.7%	+2.5%	+3.8%	+6.0%	+0.4%	+5.4%	+2.2%	+4.0%	+6.3%	-0.6%	+2.0%	+4.1%	+3.8%

Since 2004, the proportion of people with no qualifications has steadily decreased across the Midlands Engine mirroring the UK trend (excluding 2018 where the UK increased by 0.2%). The gap between the Midlands Engine and UK has decreased from 2.5pp in 2004 to 1.2pp in 2019.

Overall, since 2004 the percentage of people with no qualifications has decreased by 44.1% which is above the UK decline of 43.4%.

Figure 23: Percentage of the Working Age Population with No Qualifications:

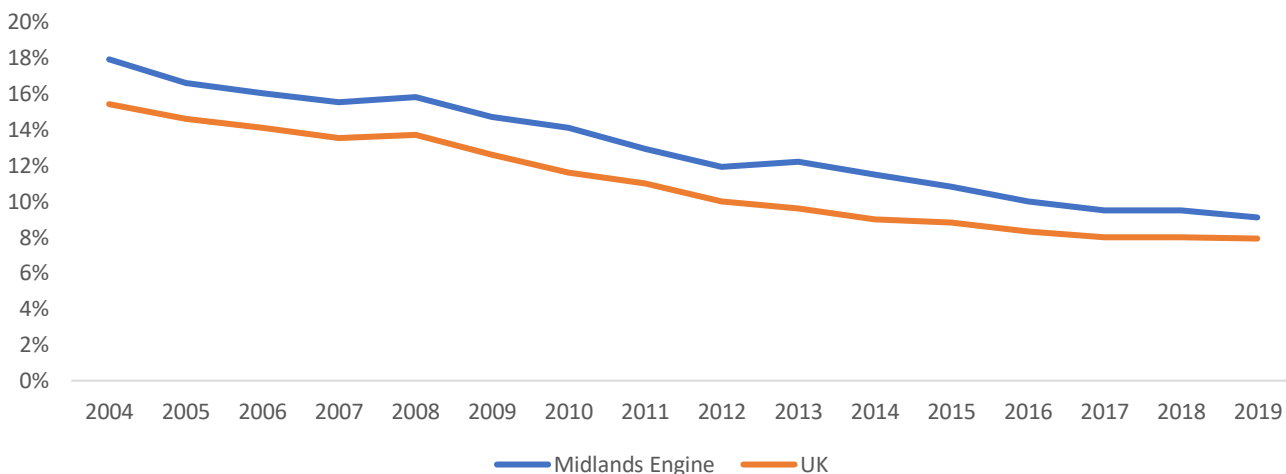


Table 11: Annual Change in Midlands Engine Residents with No Qualifications:

2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
-6.3%	-2.5%	-2.4%	+5.7%	-6.5%	-4.1%	-8.7%	-7.6%	+2.5%	-5.6%	-5.4%	-6.9%	-4.0%	-0.7%	-3.5%

Jobs, Apprenticeships and NEETs

There were 4,414,000 jobs across the Midlands Engine area in 2018. Compared to 2017, this has decreased by 0.2% (-9,000) while nationally there was an increase by 0.6%.

Figure 24: Number of Jobs in the Midlands Engine, 2009-2018

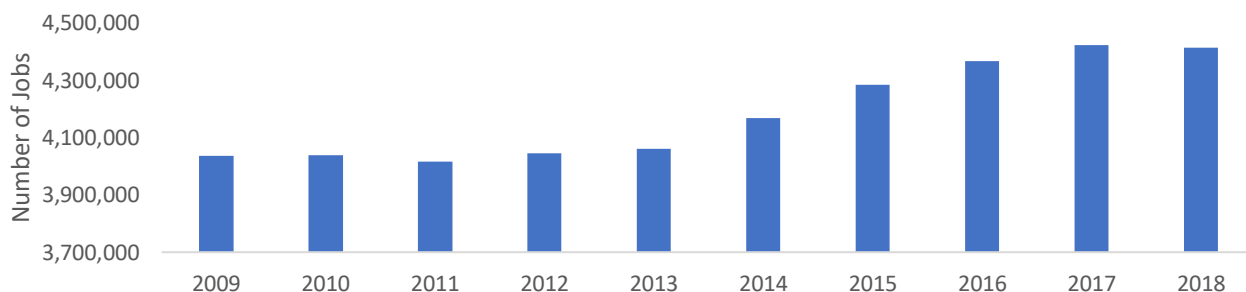


Table 12: The Annual Percentage Change for Total Jobs Across the Midlands Engine:

2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
+0.02%	-0.5%	+0.7%	+0.4%	+2.6%	+2.8%	+2.0%	+1.3%	-0.2%

Green indicates a positive change and above the UK average, the red shading indicates the reverse and the orange indicates a growth rate in the right direction but less than the national average growth rate.

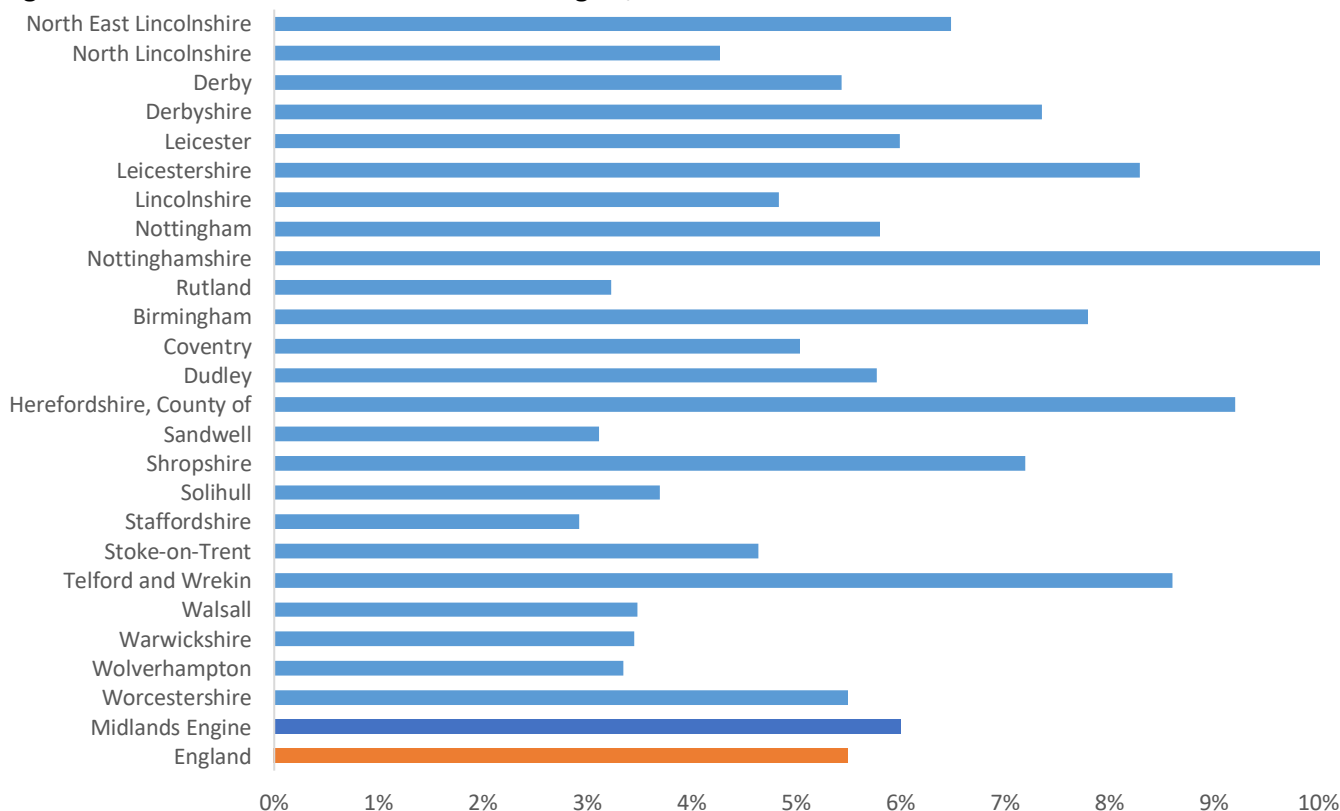
Apprenticeship Starts

In 2018/19 there were a total of 78,700 apprenticeship starts in the Midlands Engine, this is an increase of 5.8% (+4,290) apprenticeships from 2017/18, which is above the national increase of 4.7%. Of the 78,700 apprenticeships, 29,400 of these were at Intermediate, 35,390 Advanced and 13,910 Higher Level. However, apprenticeship starts still remain below the 2016/17 figures of 104,080 in the Midlands Engine.

Not in Education, Employment or Training (NEETs)

Overall, for the Midlands Engine in 2019, the proportion of people aged 16-17 years old that were not in education, employment or training (NEETs) was 6.0%, above the England average of 5.5%. Proportions vary from 2.9% in Staffordshire to 10.0% in Nottinghamshire.

Figure 25: Number of NEETs in the Midlands Engine, End of 2019



Sources: Business, Register & Employment Survey, 2019. Please note, for years 2009 - 2014 figures exclude units registered for PAYE only. Department for Education, 2020

The Labour Market

Across the Midlands Engine, 78.2% (4.9m) of the working age population were economically active in the year ending March 2020, compared to the UK average of 79.0%. The economic activity rate has increased at a slower rate than the UK growth rate at 0.4pp in comparison to 0.5pp since the year ending March 2019.

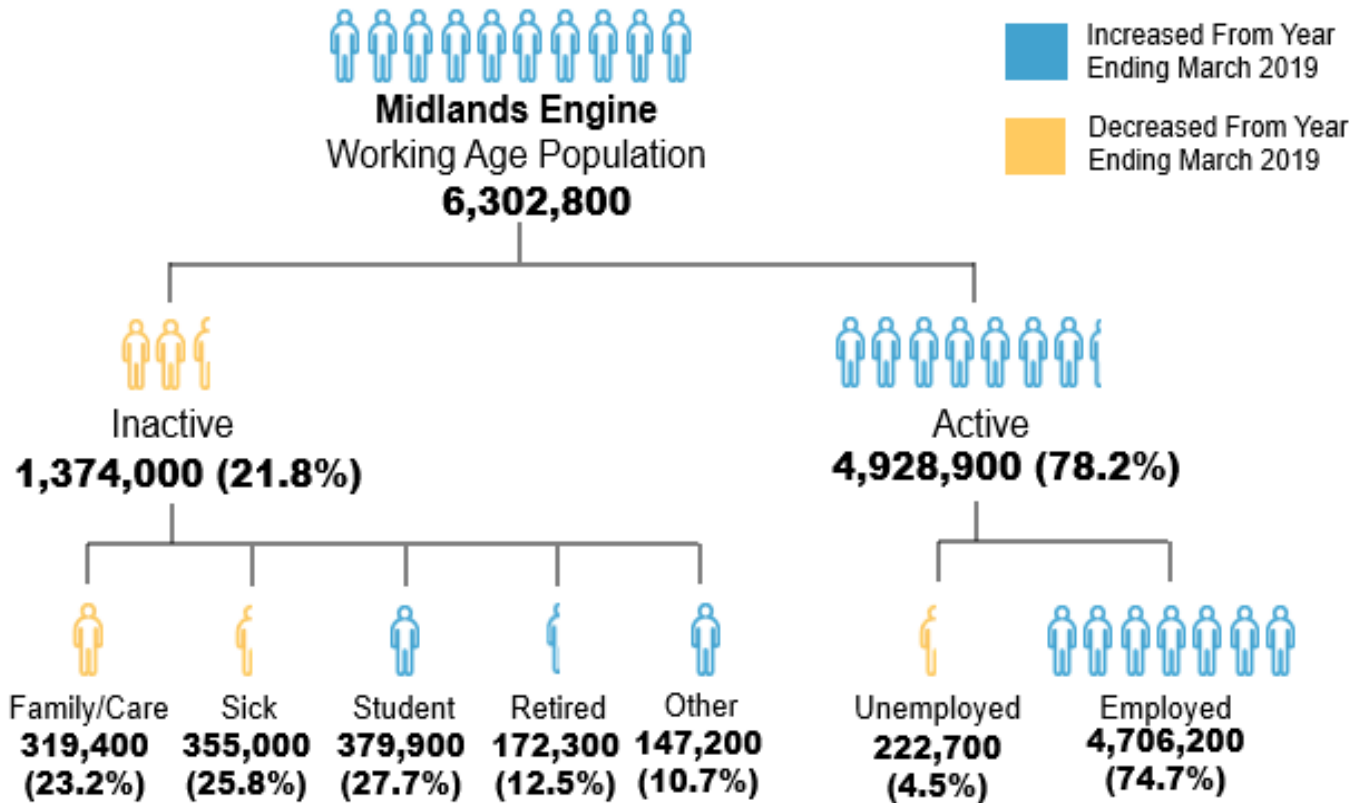
Those classified as economically active are split into two groups; unemployed and employed. The average unemployment rate across the Midlands Engine was 4.5% (222,700), compared to 3.9% for the UK in the year ending March 2020. The Midlands Engine area has decreased by 0.4pp and the UK by 0.3pp. For the Midlands Engine to reach the UK average unemployment rate requires a decrease of 30,473 people.

The average employment rate across the Midlands Engine was 74.7% (4.7m), compared to 75.9% for the UK in the 2019. The employment rate has increased by 0.8pp, with the UK growth rate at 0.7pp. For the Midlands Engine to reach the UK average employment rate requires an increase of 30,473 people.

In the year ending March 2020, 21.8% (1.37m) of the working age population were economically inactive, while for the UK the average rate was 21.0%. The Midlands Engine economically inactive rate has decreased by 0.4pp and the UK decreased by 0.5pp from the same period in the previous year,

Out of the five reasons for economic inactivity, the Midlands Engine is higher in two which are; students (27.7% compared to 26.7%) and looking after family/home (23.2% compared to 22.5%).

Figure 26: Breakdown of the Working Age Population in the Midlands Engine by Inactive and Active Categories:



Source: ONS, Annual Population Survey (April 2019 – March 2020) - Released July 2020

Please note figures may not sum due to rounding in the infographic displayed.

Innovation & Enterprises

Business Base

There were 397,960 enterprises in the Midlands Engine area in 2018. This an increase of 1.1% (+4,480) since 2017, the UK increased by 0.5%. Enterprise stock per 10,000 for the Midlands Engine in 2018 was 387, this is up from 385 in 2017. To reach the UK average of 422 births per 10,000 population requires an additional 57,294 enterprises.

In 2018, there were 49,775 enterprise births, up 0.9% (+430) since 2017. Over the same period, the UK decreased by 0.3%. In the Midlands Engine, the average number of enterprise births per 10,000 population was 48, below the UK average of 57. To close the Midlands Engine’s gap to the UK requires an additional 9,167 enterprise births per annum.

Out of 44,930 enterprise births in 2013, 94.3% (42,365) survived their first year compared to 93.5% across the UK. After three years (2016), 61.3% (27,530) of the enterprises were still running compared to 60.9% across the UK and after five years 42.8% (19,250) were still running with the UK average of 42.4%.

Enterprises by Turnover Band

Enterprises in the Midlands Engine have been categorised into five groups based on turnover bands:

There are 8,705 **“High Achiever”** enterprises with a turnover of more than £5 million a year. These enterprises still account for 2.4% of the business base – matching the UK average.

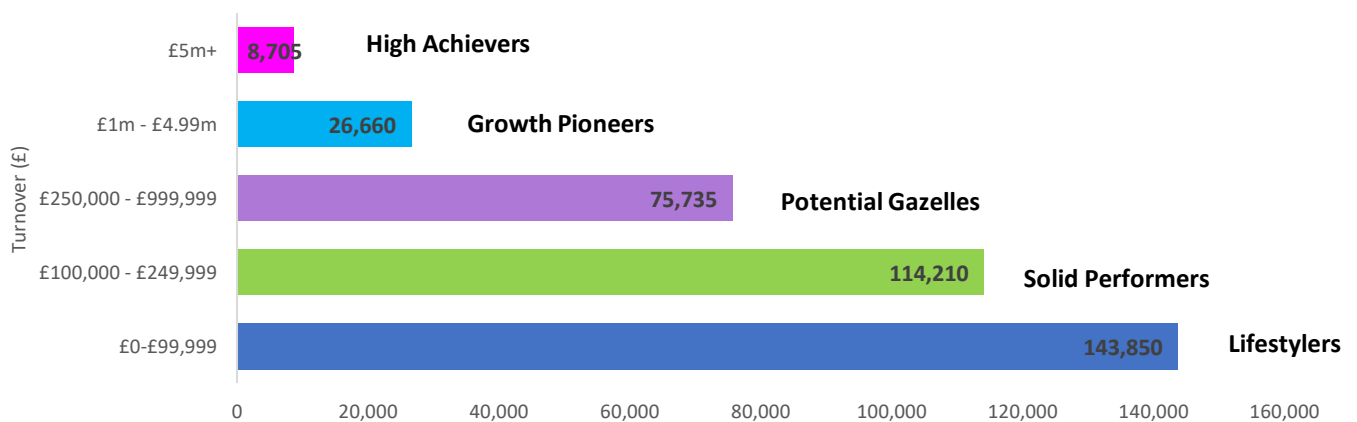
There are 26,660 **“Growth Pioneers”** enterprises with a turnover between £1m-£4.99m, These account for 7.2% of the business base compared to 6.9% for the UK.

The 75,735 **“Potential Gazelles”** enterprises that turnover between £250k to £999k account for 20.5% of the business base compared to 19.7% for the UK.

The 114,210 SMEs with a turnover between £100k to £249k are classified as **“Solid Performers”** and account for 30.9% of the business base compared to 32.2% for the UK.

The 143,850 enterprises with a turnover less than £100k are classed as **“Lifestylers”**. These account for 39.0% of the business base compared to 38.8% for the UK.

Figure 27: Enterprises in the Midlands Engine by Turnover Band:



Enterprises by Employment Size

As seen in table 13, 99.6% of enterprises employ between 0 to 249 people in the Midlands Engine area in 2019 – matching the UK average.

Table 13: Enterprises by Employment Size:

Area	Total	Micro (0 to 9 employees)	Small (10 to 49 employees)	Medium-sized (50 to 249 employees)	Large (250+ employees)
Midlands Engine	369,205	327,960	33,690	6,045	1,520
Midlands Engine %		88.8%	9.1%	1.6%	0.4%
UK %		89.5%	8.6%	1.5%	0.4%

Source: UK Business Counts, 2019

Research & Development

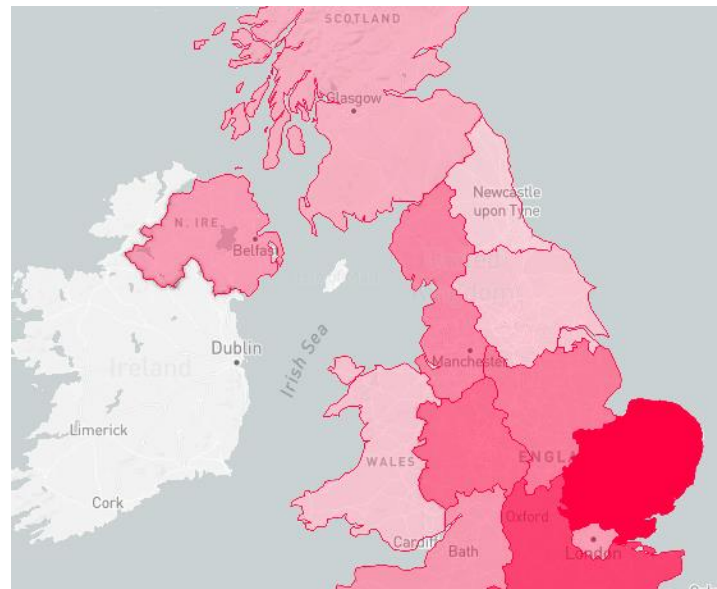
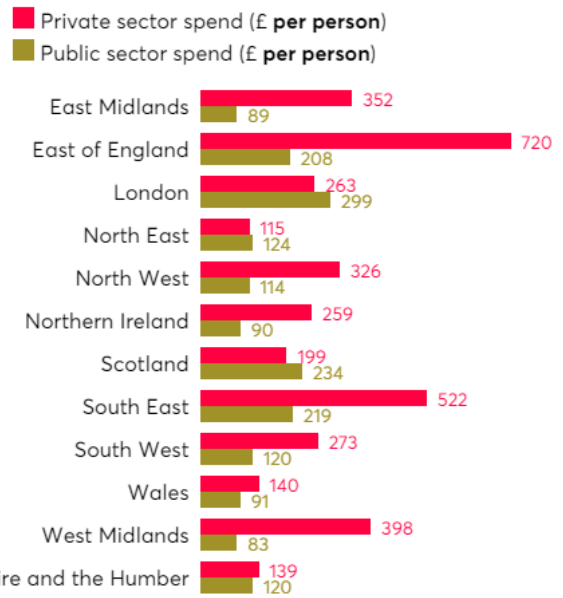
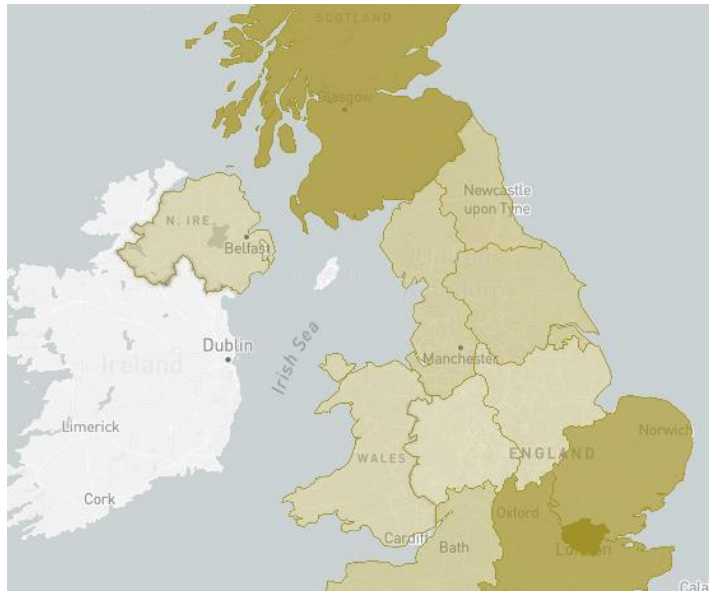
On 28th May 2020 NESTA launched a report on where and how Research and Development (R&D) investment is distributed across the UK.

Investment in R&D and innovation is a key public policy issue. R&D spending matters because it leads to innovation, which creates productive industries and well-paid jobs. There is good evidence that R&D investment correlates with economic growth, reduced regional inequalities and better health outcomes for local populations.

In the East Midlands and West Midlands, business investment in R&D is at or above the UK average, despite low levels of public support. This implies an active R&D landscape not getting enough state support. Increased public spending on R&D here could leverage the benefits of private spending still further.

The West Midlands and the East Midlands are the third and fourth highest regions for amount of private sector spend in R&D at £398 and £352 (respectively) per head. However, in contrast the West Midlands is the lowest region for public sector spend per head in R&D at £83, this is followed closely by the East Midlands at £89.

Figure 28 shows public and private sector spend (£) per person in R&D across the UK:



R&D spend is concentrated in a relatively small number of highly innovative firms/institutions, masking variable performance across the region.

Diffusion of knowledge across business base is too slow.

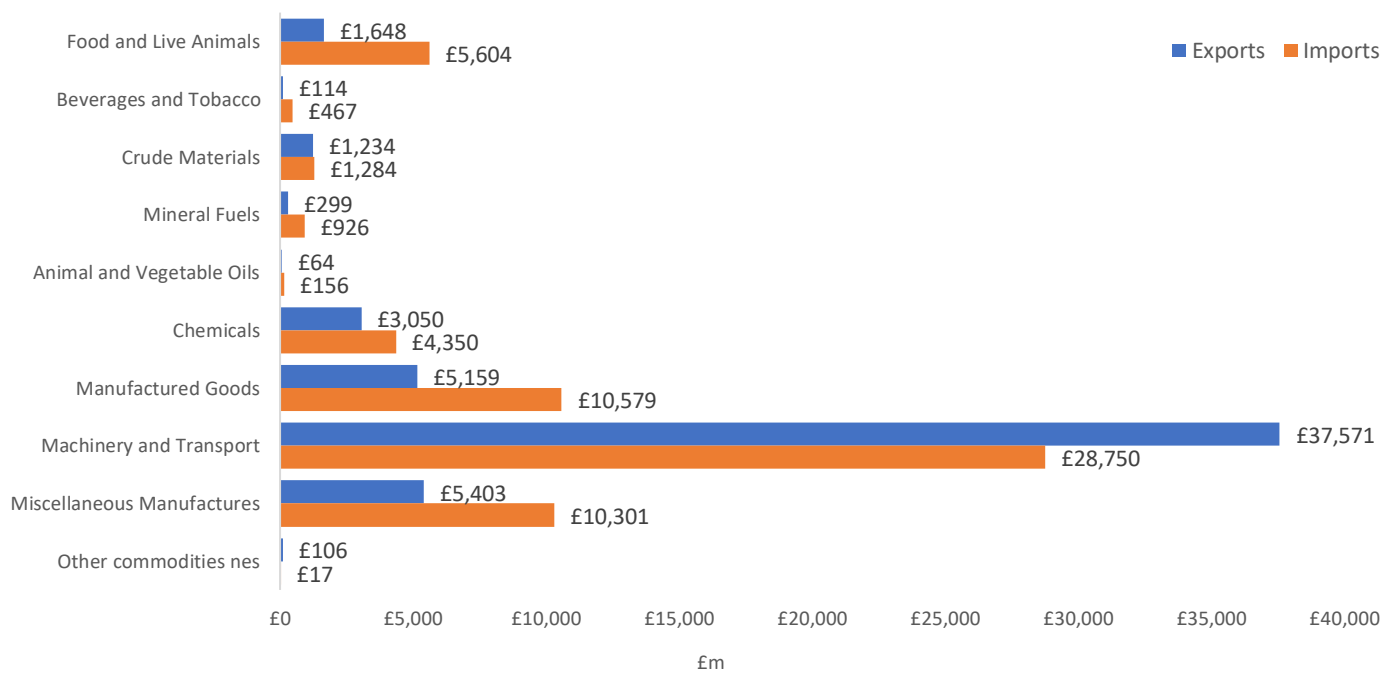
Internationalisation, Trade and Investment

Regional Trade

In the year ending 2020 Q1, the Midlands exported £54.6bn worth of goods, an increase of 1.6% compared to the year ending 2019 Q1. In the year to 2020 Q1, the Midlands imported £62.4bn worth of goods, which is a decrease of 6.7% compared to the year ending 2019 Q1. Leading to a trade deficit of nearly £7.8bn.

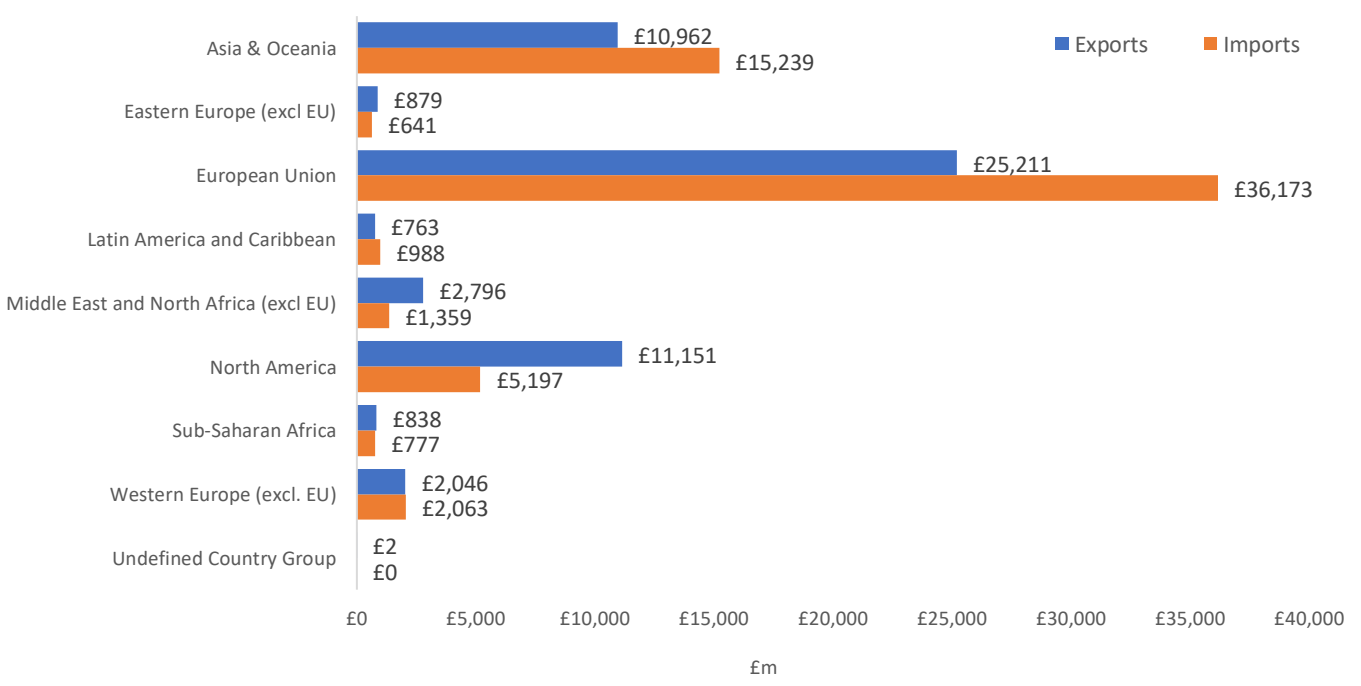
The largest export category in Midlands is Machinery and Transport at nearly £37.6bn – 68.8% of total. Although, Machinery and Transport is also the largest import, this is much lower at £28.8bn and accounting for 46.0% of imports.

Figure 29 shows a break down of trade by SITC section for the Midlands for the year ending 2020 Q1:



The largest value of goods exported from Midlands is to the European Union at £25.2bn – 46.1% of total. However, a higher value is imported at nearly £36.2bn, accounting for 57.9% of the total.

Figure 30 shows a break down of trade by Country Group for the Midlands for the year ending 2020 Q1:



Foreign Direct Investment

FDI Projects

There were 242 Foreign Direct Investment (FDI) Projects across the Midlands in April 2019- March 20, this is an increase of 8.0% (+18 projects) compared to 2018-19. The UK increased by 3.9% (+70 projects), from 1,782 in 2018-19 to 1,852 in 2019-20.

The Midlands region accounts for 13.1% of the UK total for FDI projects in 2019-20.

Table 14 Shows the Number of FDI Projects, Change and Proportion of the Share by UK Region:

	2018-19	2019-20	Change	% Change	2019/20 % of Total
Multiple UK sites	52	58	6	11.5%	3.1%
North East	59	73	14	23.7%	3.9%
North West	142	154	12	8.5%	8.3%
Yorkshire and The Humber	98	104	6	6.1%	5.6%
East Midlands	69	85	16	23.2%	4.6%
West Midlands	155	157	2	1.3%	8.5%
East of England	87	79	-8	-9.2%	4.3%
London	627	638	11	1.8%	34.4%
South East	202	211	9	4.5%	11.4%
South West	79	70	-9	-11.4%	3.8%
Scotland	126	121	-5	-4.0%	6.5%
Wales	51	62	11	21.6%	3.3%
Northern Ireland	35	40	5	14.3%	2.2%
Midlands Engine	224	242	18	8.0%	13.1%
Total	1,782	1,852	70	3.9%	

Jobs from FDI Projects

There was a total of 9,456 Jobs from FDI projects across the Midlands in 2018/19, this is an increase of 19.3% compared to a UK increase of 0.8%. Due to not available across all regions, however the Midlands accounts for 14.5% of the total.

Table 15 shows the Breakdown by Region the Total Number of Jobs Created by FDI Projects:

	2018-19	2019-20	Change	% Change	2019/20 % of Total
Multiple UK sites	*	*			
North East	*	3,015			4.6%
North West	5,184	5,441	257	5.0%	8.4%
Yorkshire and The Humber	2,595	3,023	428	16.5%	4.6%
East Midlands	1,874	2,842	968	51.7%	4.4%
West Midlands	6,049	6,614	565	9.3%	10.2%
East of England	2,882	*			
London	15,287	13,077	-2,210	-14.5%	20.1%
South East	4,303	6,510	2,207	51.3%	10.0%
South West	2,211	1,974	-237	-10.7%	3.0%
Scotland	4,469	3,347	-1,122	-25.1%	5.1%
Wales	3,704	*			
Northern Ireland	*	*			
Midlands Engine	7,923	9,456	1,533	19.3%	14.5%
Total	64,623	65,138	515	0.8%	

Total jobs can be split into new jobs and safeguarded jobs. For new jobs created from FDI projects, there 6,308 in 2018-19 in the Midlands a decrease of 8.1% (-559) which reflects the UK trend of -2.6%. The Midlands accounts for 11.2% of the total new jobs created from FDI projects in 2019-20.

There are regions where the data is disclosive for safeguarded jobs. However, data is available for the East Midlands and West Midlands and shows the number of safeguarded jobs has increased from 1,056 in 2018-19 to 3,148 in 2019-20 (+198.1% compared to 28.9% for the UK). In 2018-19 the Midlands accounted for 34.9% of the total.

Strategic Infrastructure

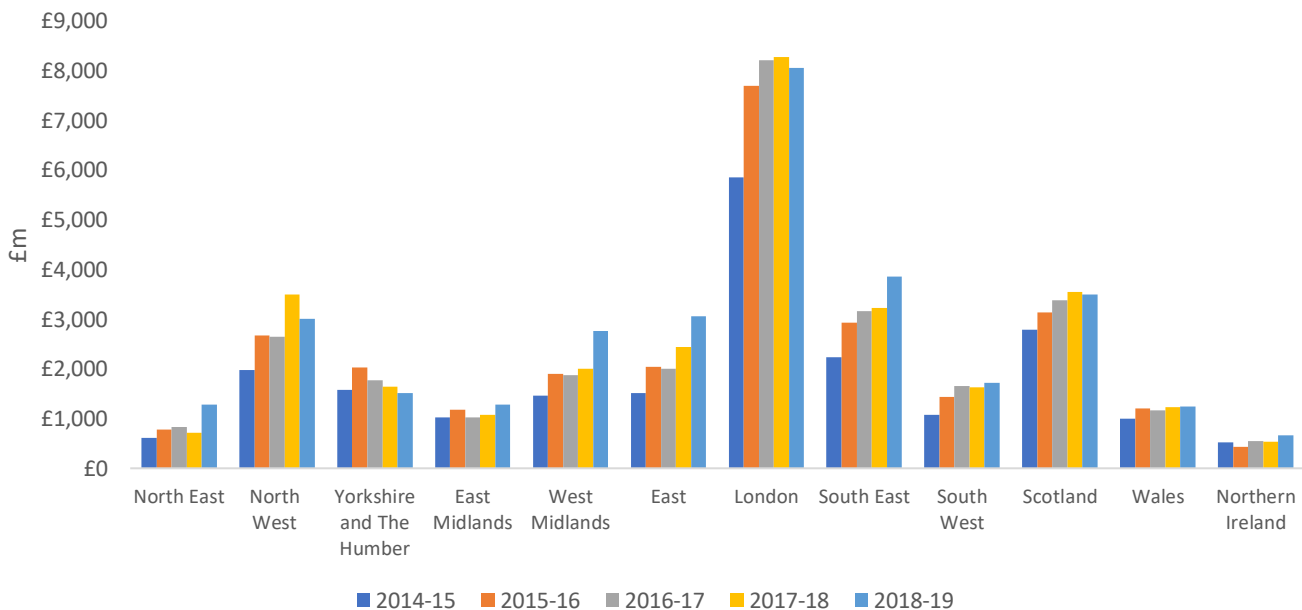
Transport

Expenditure on Transport

Regional Midlands Engine expenditure on transport was just over £4bn in 2018/19, an increase of 31.1% (£959m) since 2017/18.

In 2018/19 the East Midlands was the third lowest UK region for expenditure on transport at nearly £1.3bn, the West Midlands was the seventh lowest UK region at nearly £2.8bn. Combined, nearly 13% of the UK total of expenditure on transport was in the Midlands – this is split by 4% to the East Midlands and 9% for the West Midlands.

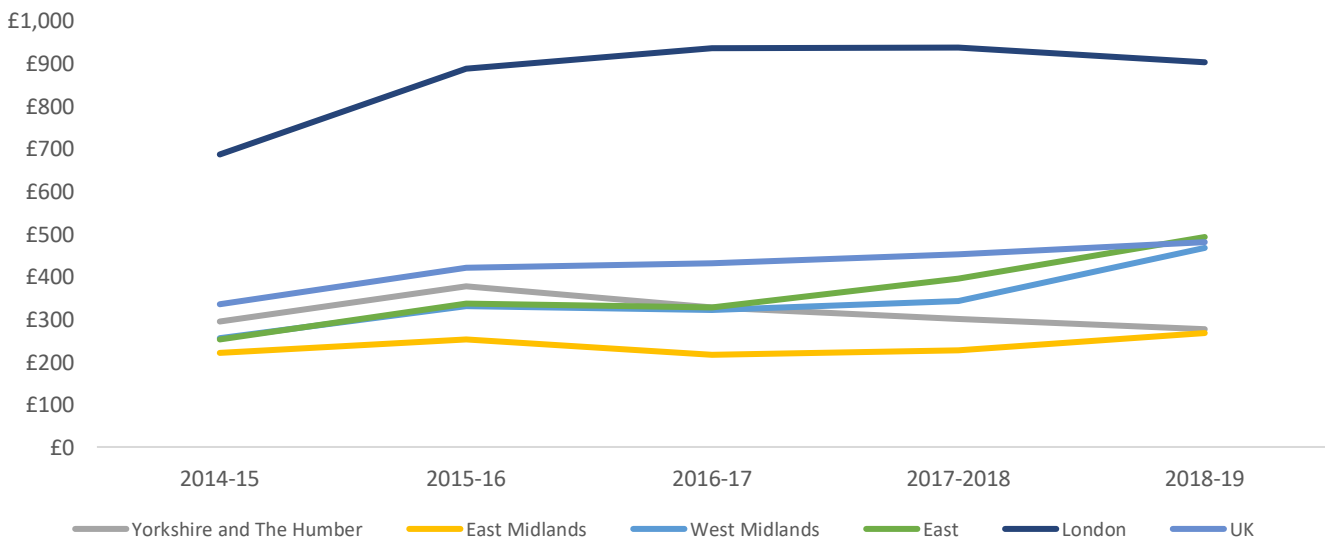
Figure 31 Shows the Total Expenditure on Transport for All UK Regions Between 2014/15 - 2018/19:



Regional Midlands Engine expenditure per head has increased from £290 in 2017/18 to £378 in 2018/19. However, this remains below the UK average of £481 per head.

In 2018/19, the East Midlands was the lowest UK region for expenditure on transport per head at £268, while the West Midlands was eighth lowest at £467 per head.

Figure 32 Shows Across Selected UK Regions the Highest and Lowest Expenditure on Transport per Head and Compared to the UK as a Whole:



Low Carbon

In 2018 the Midlands Engine emitted 64,368 kt CO₂, this is a reduction of 0.8% since last year but a much lower reduction compared to a 1.6% reduction across England.

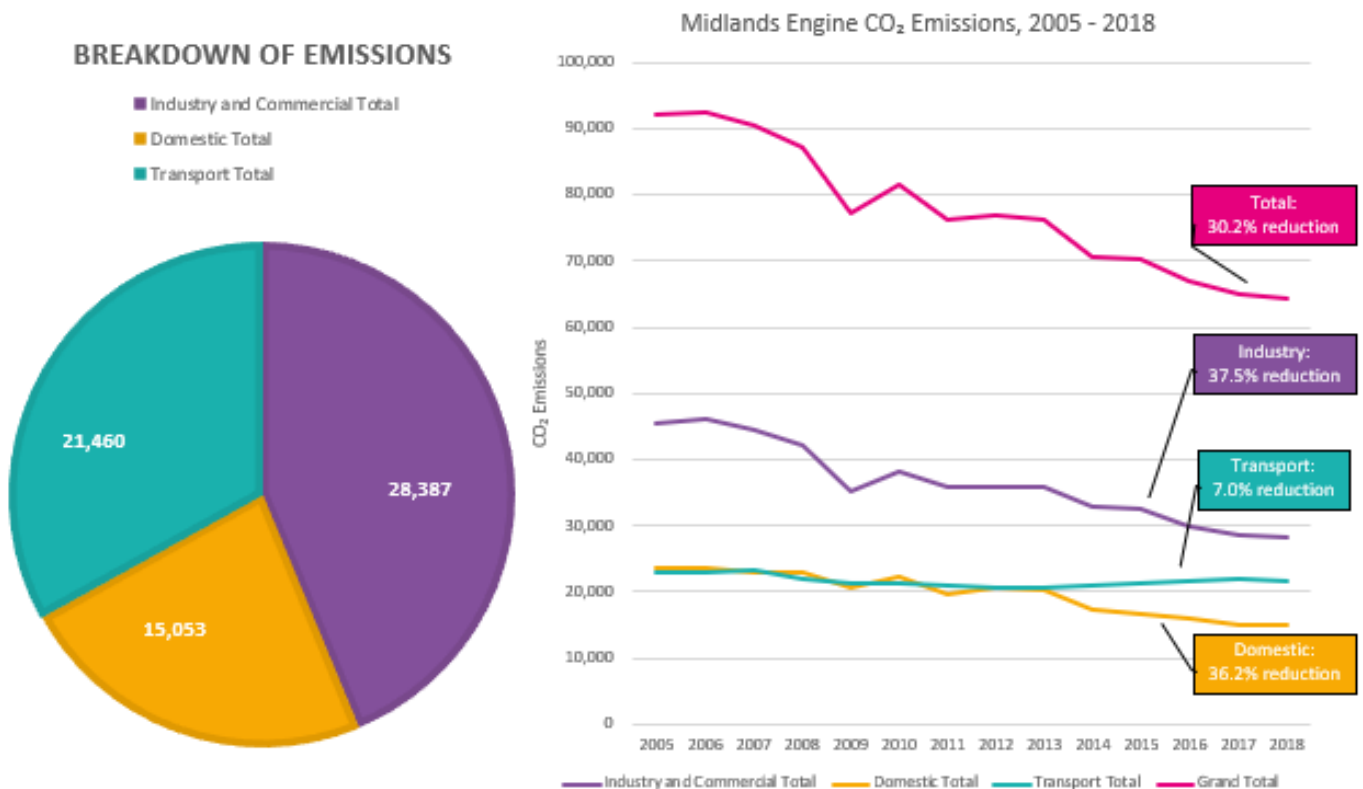
Carbon dioxide emissions as tonnes per capita was 6.3 across the Midlands Engine, ranging from 3.1 in Oadby and Wigston to 43.3 in North Lincolnshire in 2018. The high tonnes per capita in North Lincolnshire is due to emissions from industry and commercial which produced 6,676 kt CO₂ in 2018, within this area homes the United Kingdom's largest steel processing centre. The England average is 5.0 tonnes per capita.

Since 2005, the Midlands Engine has reduced its total carbon emissions by 30.2% (-27,804 kt CO₂) compared to England which has reduced by 34.9%. If the Midlands Engine continued to reduce its emissions based on the past 3-year average (-2.8%), we would reach net zero emissions in 2433 (2190 sub 500 as per graph below). The Midlands Engine area must reduce their emissions by 30% every year to reach net zero by 2050.

In terms of the components that contribute to the emissions:

- 44.1% come (28,387 kt CO₂) from industry and commercial - higher than the national average 36.0% in England)
- 23.4% - 15,053 kt CO₂ was from domestic (23.4% of total emissions / 28.3% in England)
- 37.6% - 21,460 kt CO₂ was from transport (33.3% of total / 37.6% in England)
- Since 2005, industry and commercial has had the highest reduction by 37.5% (-17,012 kt CO₂), over the same period England reduced by 36.0%
- Domestic has reduced by 36.2% (-8,524 kt CO₂), since 2005, England reduced by 28.3%
- And transport has reduced by 7.0% (-1,610kt CO₂), since 2005, England reduced by 8.2%

Figure 33 Shows the Breakdown of Carbon Dioxide Emissions by Category for the Midlands Engine:



Source: Department for Business, Energy & Industry Strategy, June 2020

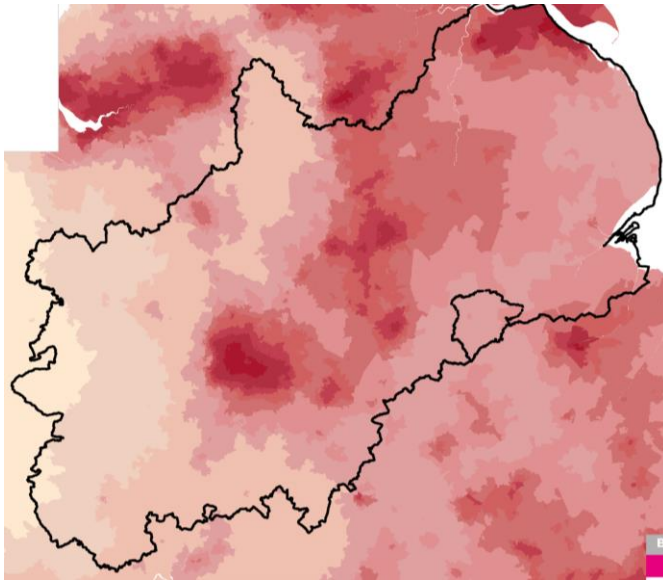
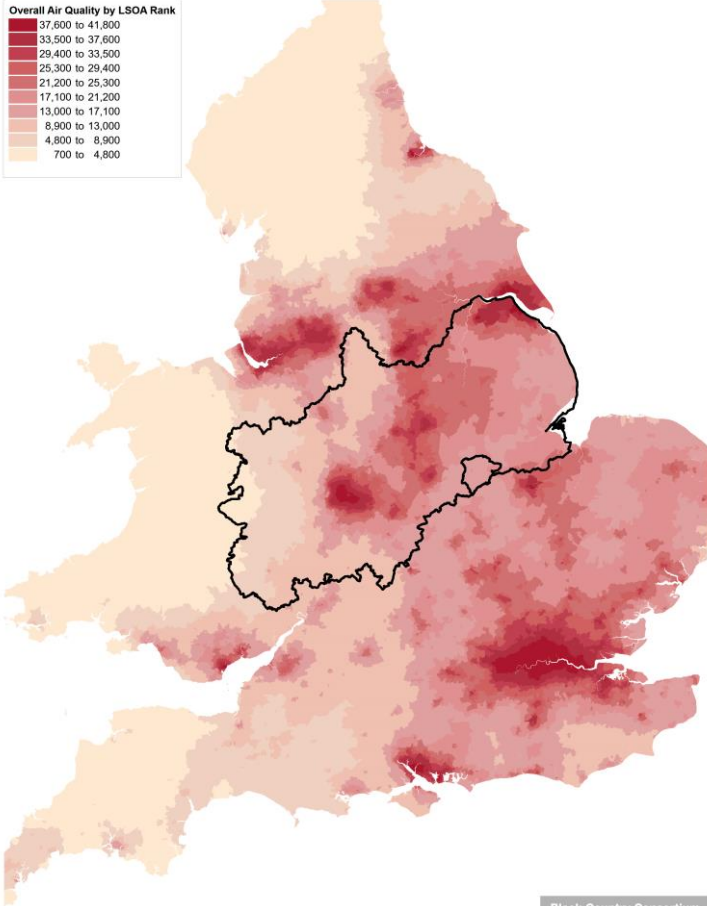
Air Quality

Figure 33 below displays the air quality (Air quality is measured using Nitrogen Dioxide (NO2), Particulate Matter 10 (PM10) and Sulphur Dioxide (SO2) per LSOA across the Midlands Engine. In 2017, the overall air quality index for the Midlands Engine was on average 24 which is below the England average value of 26.

The worst ranked overall air quality areas are the urban areas particularly around Birmingham, Coventry and the Black Country in the West Midlands and Leicester, Nottingham, Mansfield, Derby, Grimsby and Scunthorpe in the East Midlands.

Figure 34: Air Quality at LSOA Level Across England:

AIR QUALITY



Black Country Consortium
Economic Intelligence Unit

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A worldwide planting programme of 1.2 trillion trees could remove two-thirds of all of the emissions that have been pumped into the atmosphere by human activities.

Particulate matter smaller than 10 micrometres pose health risks - they can be breathed deeply into the lungs and may cross into the bloodstream.

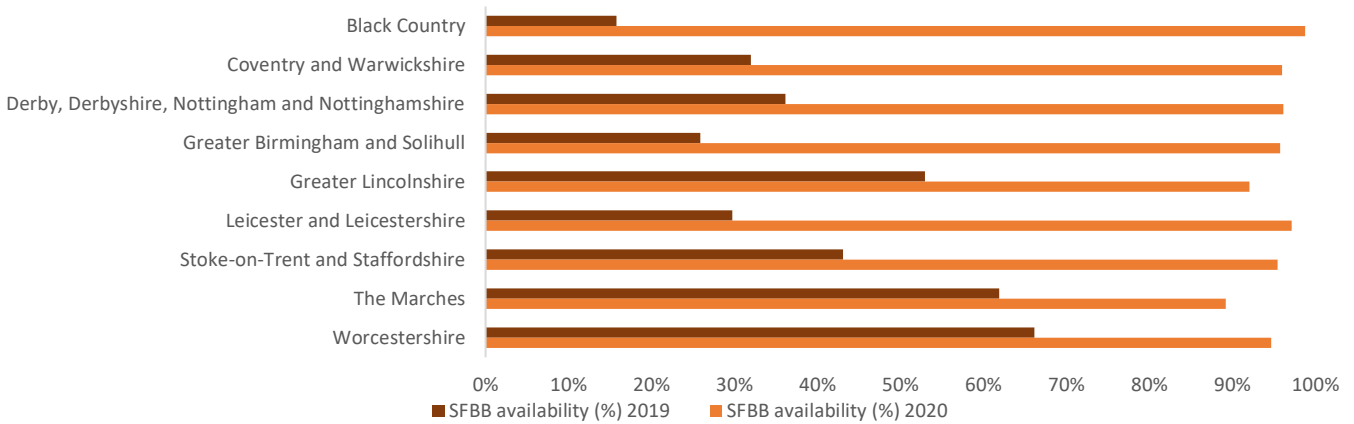
PM10 comes from engines, tyre and brake wear down and from road dust.

Digital – Broadband

As of January 2020, across the Midlands Engine area 95.4% (nearly 4.5m) of premises had superfast broadband, 59.1% (nearly 2.8m) of premises had ultrafast broadband and 10.1% (474,014) of premises had full fibre broadband. Broadband availability has significantly increased when compared to January 2019 where 36.4% (1.6m) of premises had superfast broadband, 58.9% (nearly 2.7m) of premises had ultrafast broad and 4.4% (197,547) had full fibre broadband.

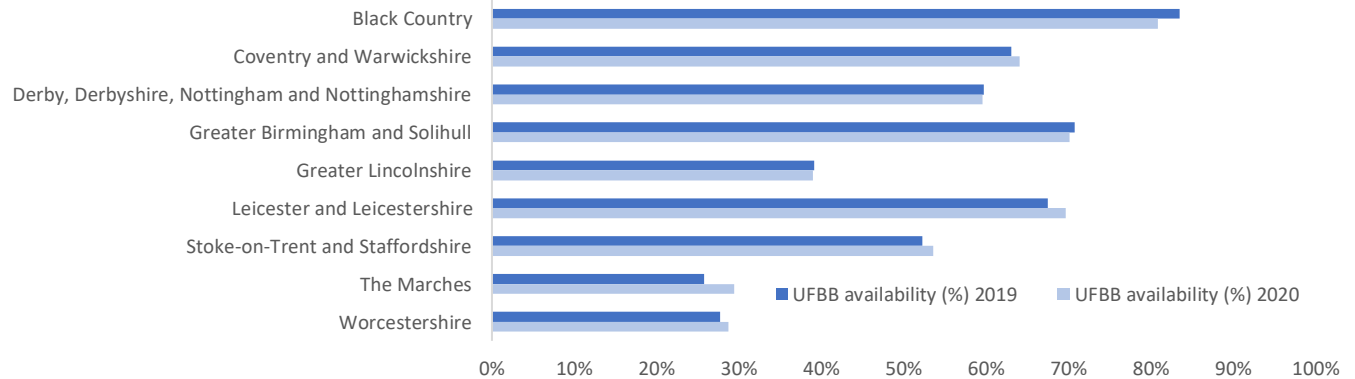
In January 2020, the percentage of premises with superfast broadband varies across the Midlands Engine LEPs from 89.2% in the Marches LEP to 98.8% in the Black Country LEP.

Figure 35: Percentage of Premises With Superfast Broadband Across the Midlands Engine LEPs:



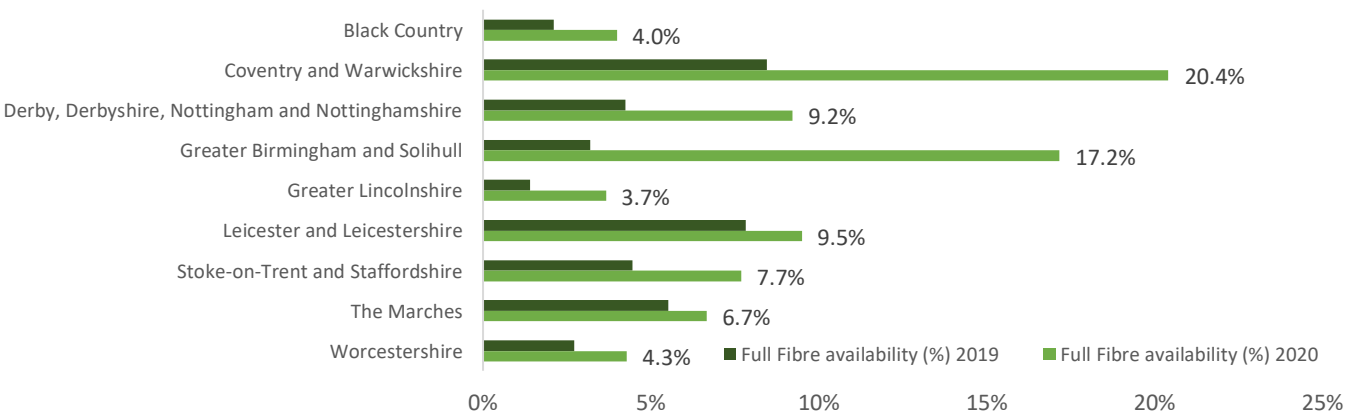
In January 2020, the percentage of premises with ultrafast broadband varies across the Midlands Engine LEPs from 28.7% in Worcestershire LEP to 80.9% in the Black Country LEP.

Figure 36: Percentage of Premises With Ultrafast Broadband Across the Midlands Engine LEPs:



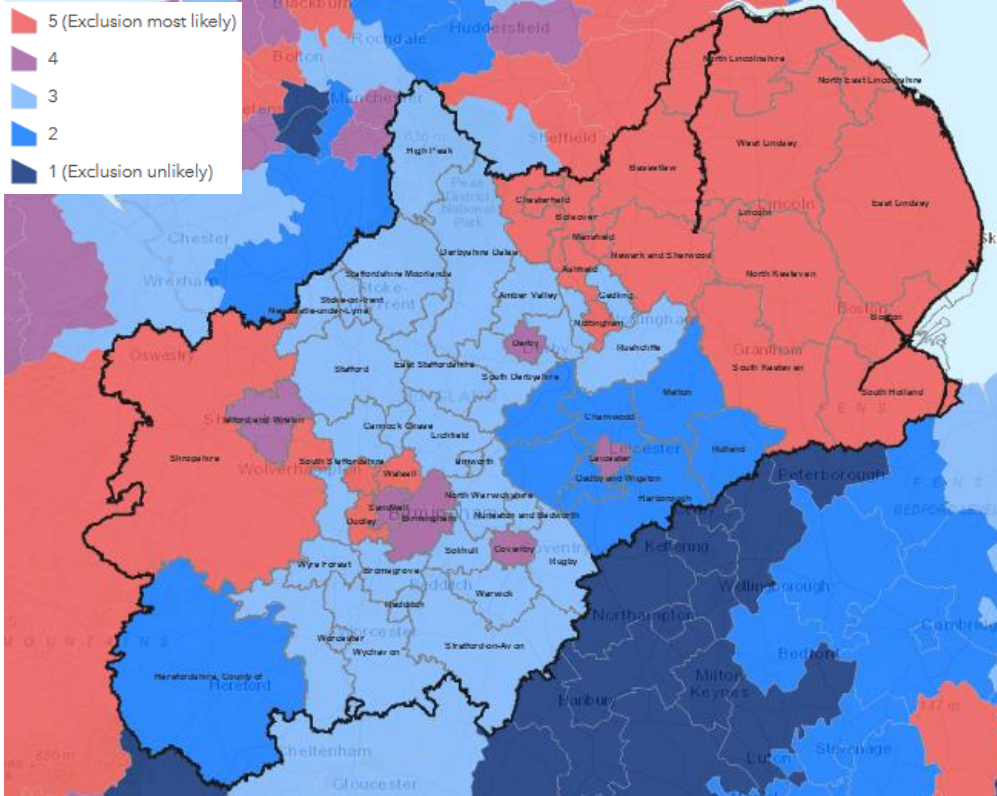
In January 2020, the percentage of premises with full fibre broadband varies across the Midlands Engine LEPs from 4.0% in Black Country LEP to 20.4% in Coventry and Warwickshire LEP.

Figure 37: Percentage of Premises With Full Fibre Broadband Across the Midlands Engine LEPs:



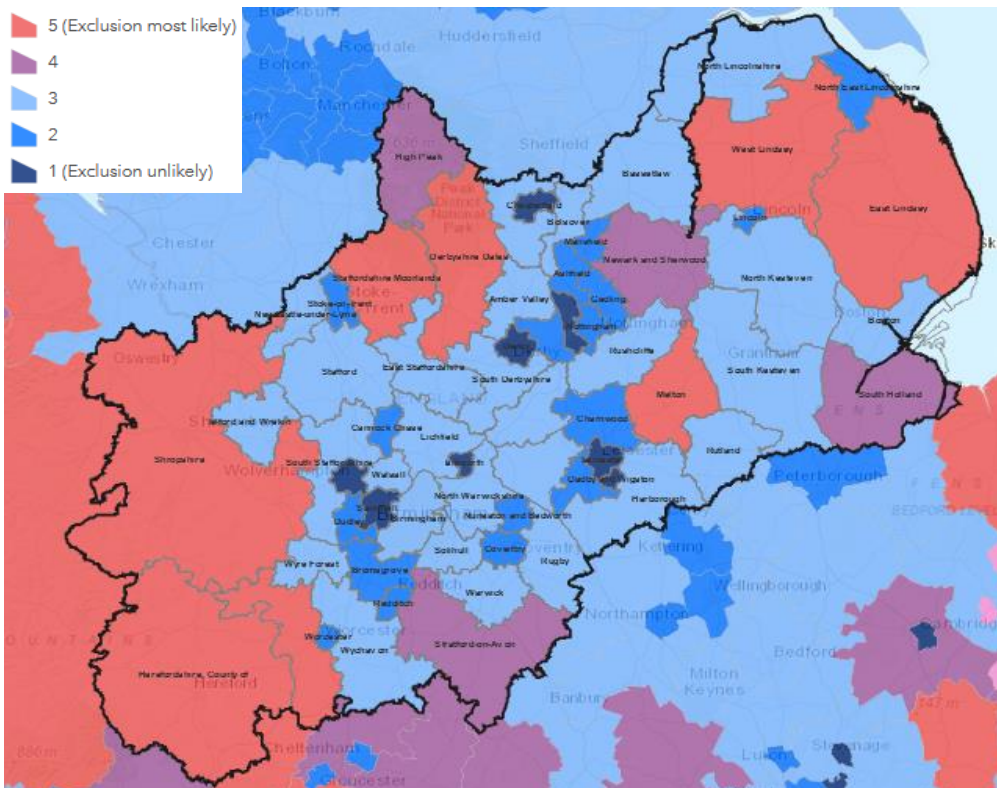
Digital exclusion is the inability to access online products or services or to use simple forms of digital technology. This disproportionately affects vulnerable people, low-income groups, the elderly and the more marginalised communities in our society. This creates a strong correlation between digital exclusion and social exclusion.

Figure 38: Access (not been online in last quarter) for Local Authorities by Quintile



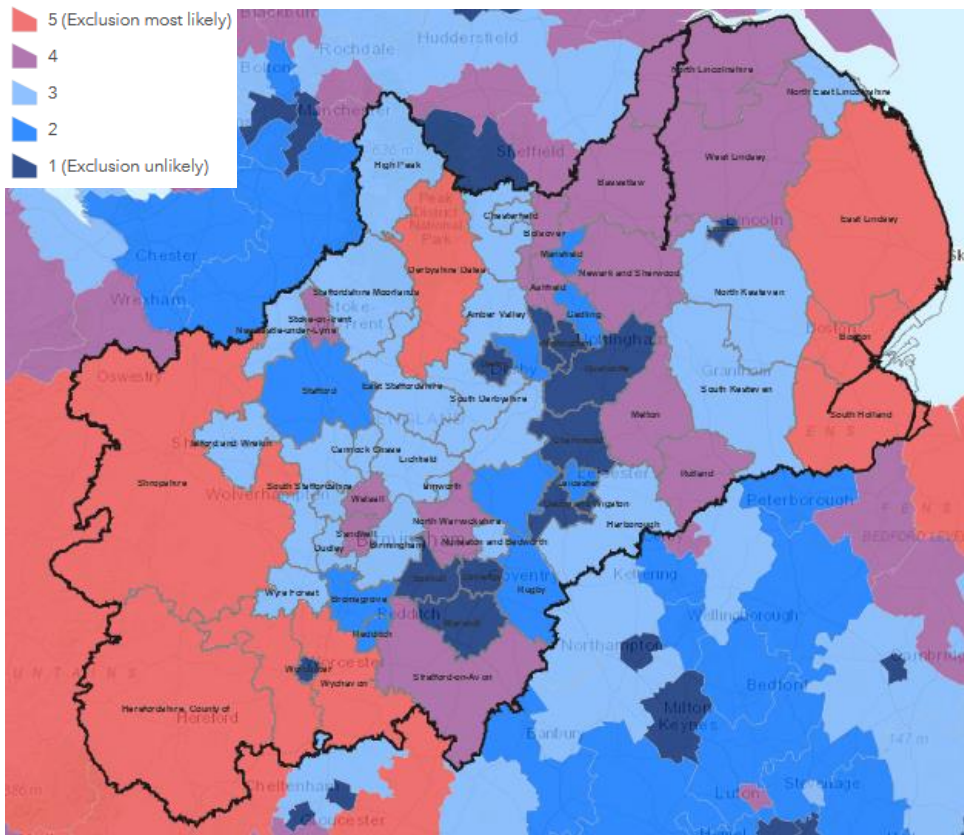
21 Local authorities (32%) across the Midlands Engine are in the most likely quintile when it comes to digital access exclusion.

Figure 39: Infrastructure (broadband speed & 4G mobile data availability) for Local Authorities by Quintile



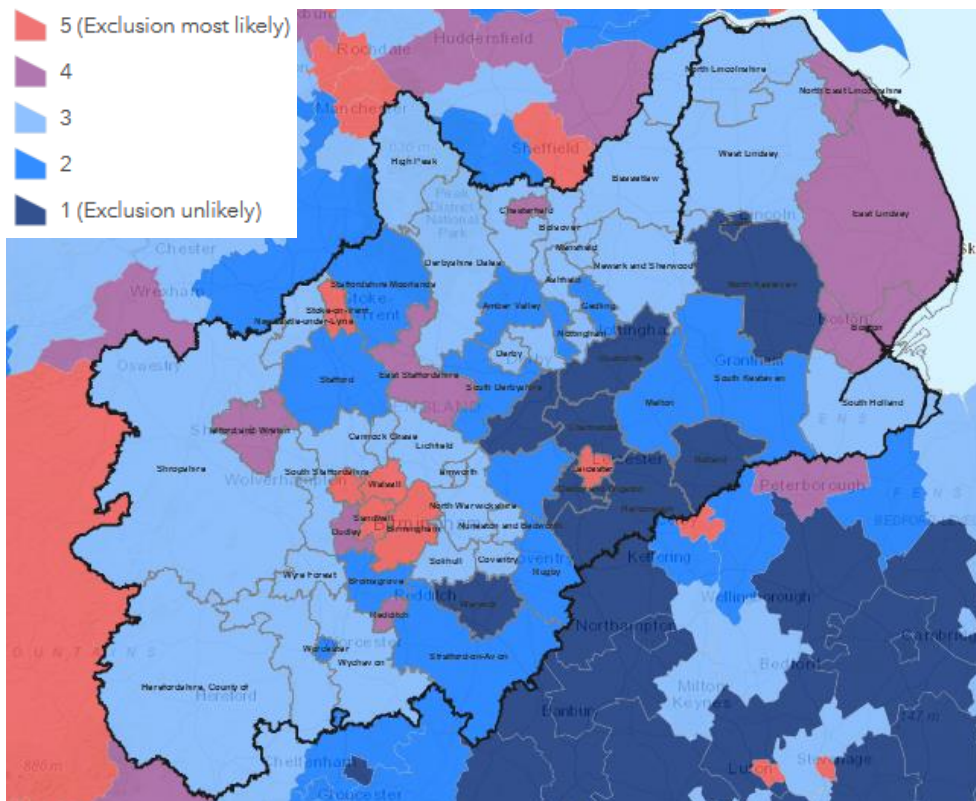
8 Local authorities (12%) across the Midlands Engine are in the most likely quintile when it comes to digital infrastructure exclusion.

Figure 40: Basic digital skills for Local Authorities by Quintile



8 Local authorities (12%) across the Midlands Engine are in the most likely quintile when it comes to basic digital skills exclusion.

Figure 41: Use of basic digital skills for Local Authorities by Quintile



6 Local authorities (9%) across the Midlands Engine are in the most likely quintile when it comes to the use of basic digital skills exclusion.

Dwelling Stock

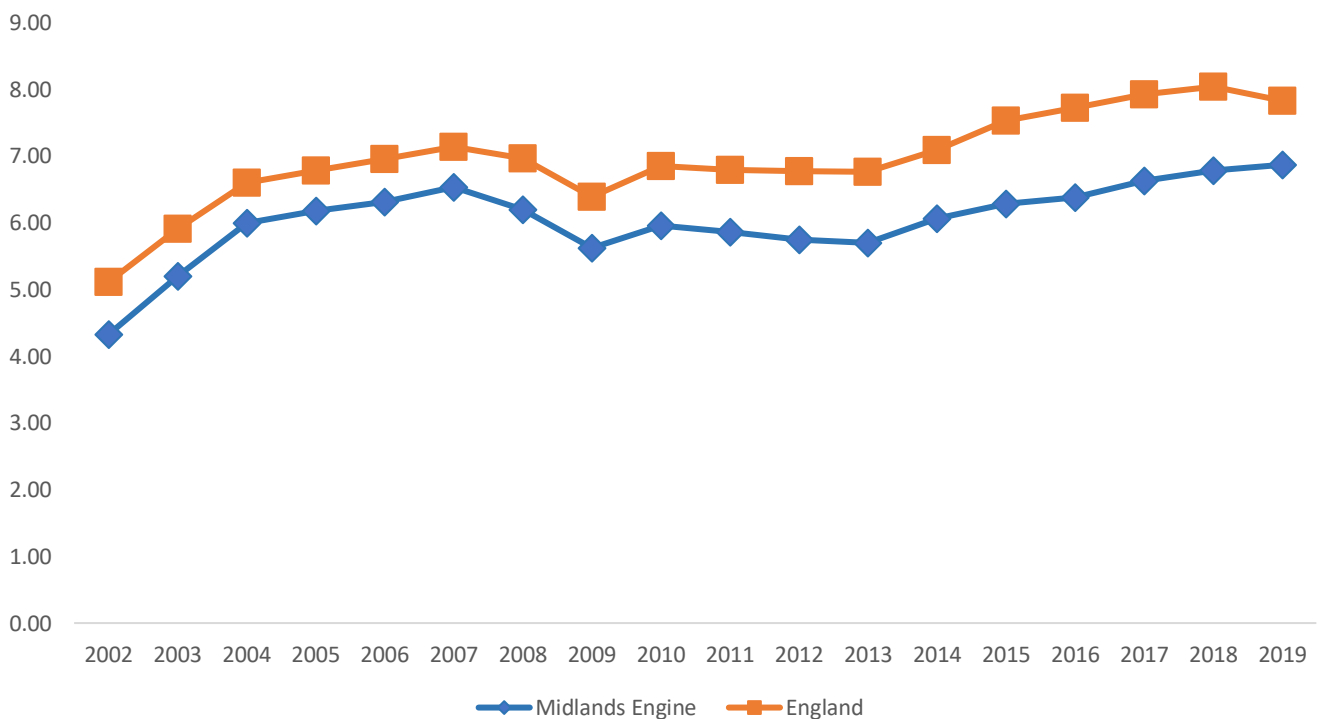
There were 4,442,620 dwellings in the Midlands Engine area in 2019, an increase of 1.0% (+43,620 dwellings) from 2018 which matches the national average growth rate.

82.7% (3,616,191) of the dwelling stock was private sector owned in 2019, with 9.1% (405,955) of dwellings private registered owned. 8.0% (353,913) were local authority owned and 0.1% (6,524) were other private sector owned.

House Price to Income Ratio

In 2019, the house price to income ratio was 6.87 for the Midlands Engine, the England average was 7.83. Compared to 2018, the Midlands Engine has increased by 0.09 while the England average has decreased by 0.21.

Figure 42: House Price to Income Ratio for the Midlands Engine and England, 2002-2019



In 2019, there were 648,114 vacant dwellings in England. This accounts for 2.6% of the dwelling stock

18.2% of England's dwellings are in the Midlands Engine area in 2019

Across England the gap between the most and least affordable local authorities decreased in 2019, the first decrease since 2015.

In England in 2019, full-time employees could typically expect to spend around 7.8 times their workplace-based annual earnings on purchasing a home

At a local level across England, earnings grew faster than house prices in 55% of local authority districts

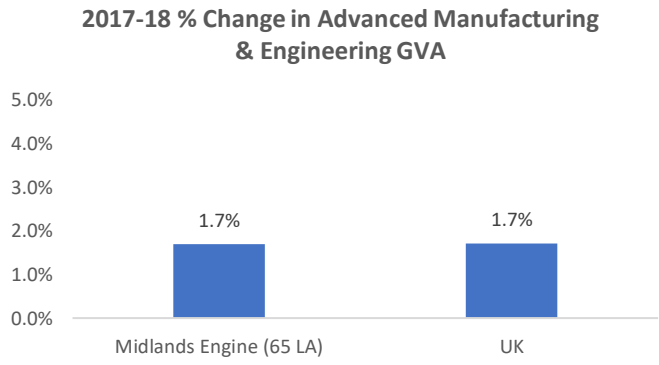
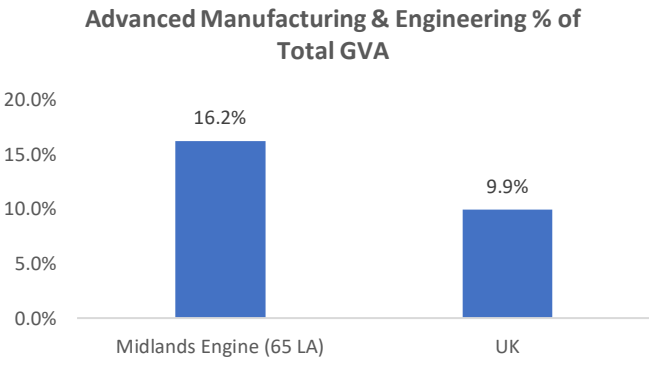
In 2019, new dwellings remained less affordable than existing dwellings in both England and Wales.

Sectors Profiles

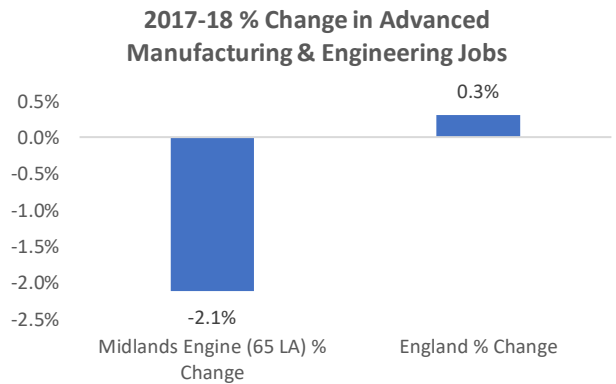
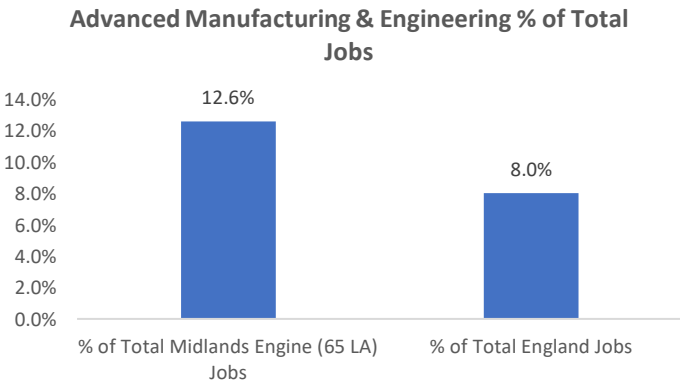
Pre COVID-19 Advanced Manufacturing & Engineering Summary Statistics

- Estimated **£38.7bn GVA** is from the advanced manufacturing & engineering sector in the Midlands Engine. This is equal to 16.2% of total GVA in the Midlands Engine, a higher percentage than the national level (9.9%).
- **554,665 jobs** in the sector locally. This is equal to 12.6% of total Midlands Engine employment, a higher proportion than at national level (8.0%).
- **25,370 businesses** across the Midlands Engine in this sector. This makes up 6.9% of all businesses across the Midlands Engine, a higher percentage than nationally (5.1%).
- GVA per employee of **£69,741** significantly above the average across all sectors in the Midlands Engine of £54,179.

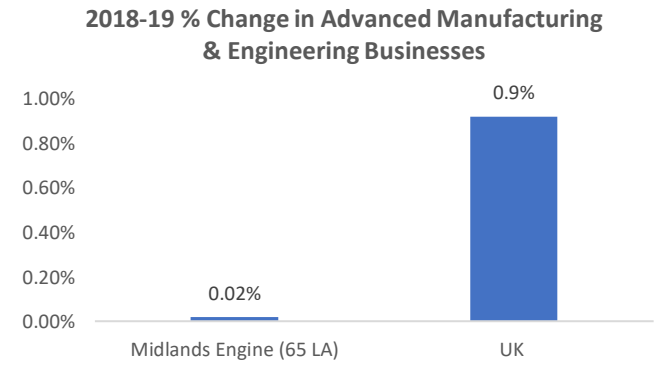
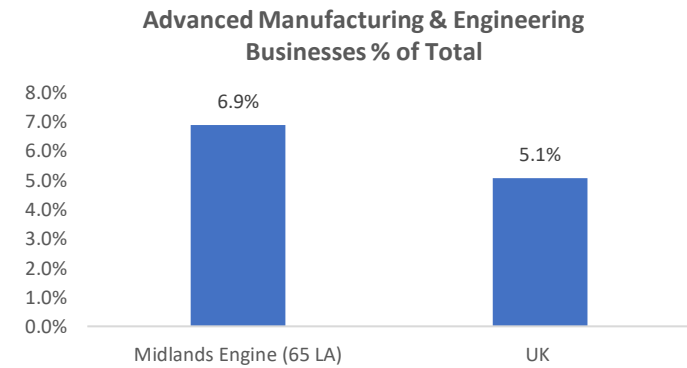
GVA 2018: **£38.7bn** 16.2% of total Midlands Engine GVA



Jobs 2018: **554,665** 12.6% of total Midlands Engine employment



Businesses 2019: **25,370** 6.9% of total Midlands Engine employment

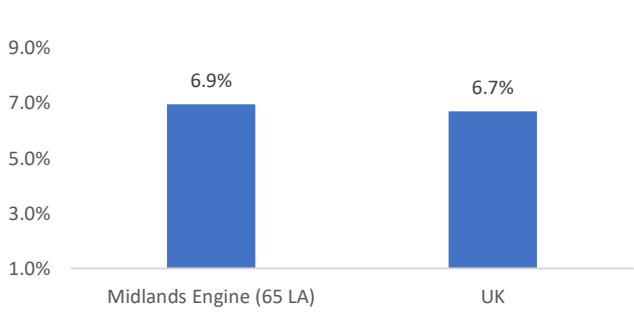


Pre COVID-19 Construction Summary Statistics

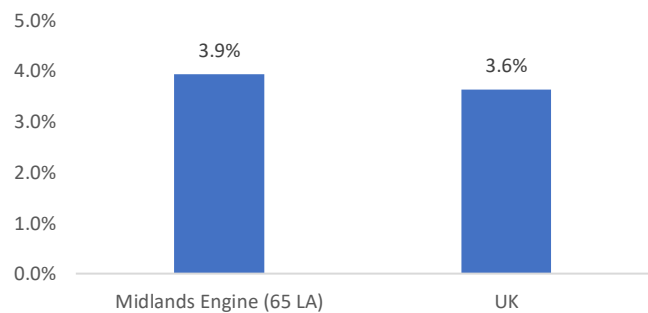
- Estimated **£16.6bn GVA** is from the construction sector in the Midlands Engine. This makes up 6.9% of the total GVA in the area – a higher percentage than the national average for this sector of 6.7%.
- **279,675 jobs** in the sector locally. This makes up 6.4% of total Midlands Engine employment, a lower percentage than the national average for this sector of 7.1%.
- **51,485 businesses** across the Midlands Engine in this sector. This makes up 14.0% of all businesses across the Midlands Engine, a slightly lower percentage than the national average for the sector of 14.2%.
- GVA per employee of **£59,280**, which is above the average across all sectors in the Midlands Engine of £54,179.

GVA 2018: **£16.6bn** 6.9% of total Midlands GVA

Construction % of Total GVA

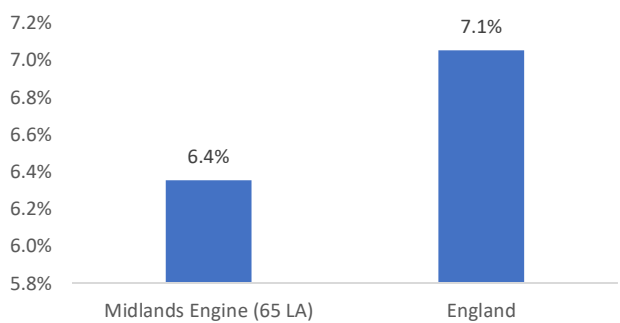


2017-18 % Change in Construction GVA

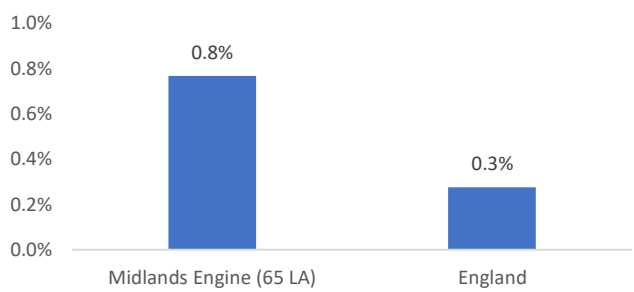


Jobs 2018: **279,675** 6.4% of total Midlands Engine employment

Construction Jobs % of Total Jobs

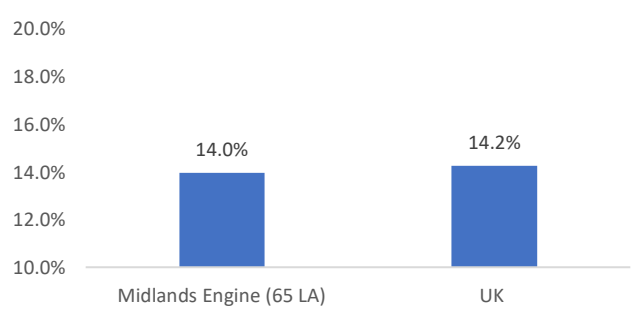


2017-18 % Change in construction Jobs

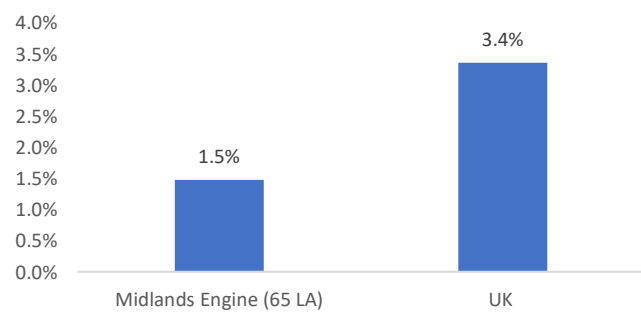


Businesses 2019: **51,485** 14.0% of total Midlands Engine Businesses

Construction Businesses % of Total



2018-19 % Change in Construction Businesses

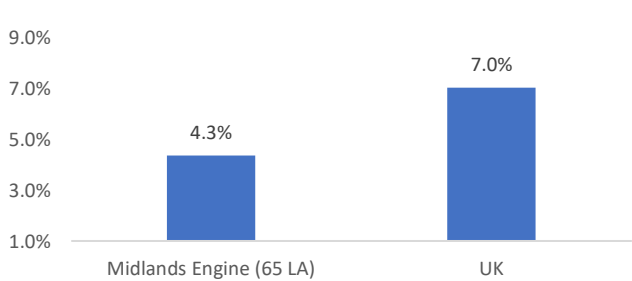


Pre COVID-19 Creative, Design & Digital Summary Statistics

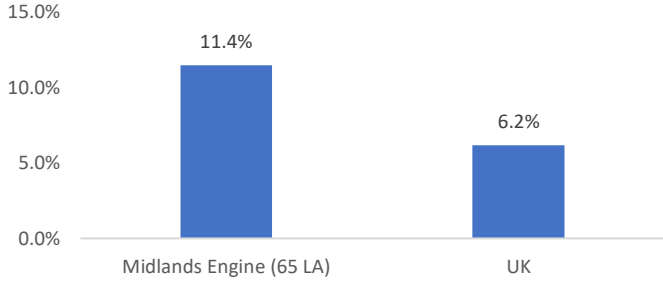
- Estimated **£10.4bn GVA** is from to the creative, design and digital sector in the Midlands Engine. This makes up 4.3% of the total GVA in the area – a lower percentage than the national average for this sector of 7.0%.
- **120,540 jobs** in the sector locally. This is equal to 2.7% of total Midlands Engine employment, a lower percentage than the national average for this sector of 4.4%.
- **21,005 businesses** across the Midlands Engine in this sector. This makes up 5.7% of all businesses across the Midlands Engine, a slightly lower percentage than the national average of 8.3%.
- GVA per employee of **£86,104**, significantly above the average across all sectors in the Midlands Engine of £54,179.

GVA 2018: **£10.4bn** 4.3% of total Midlands Engine GVA

Creative, Design and Digital % of Total GVA

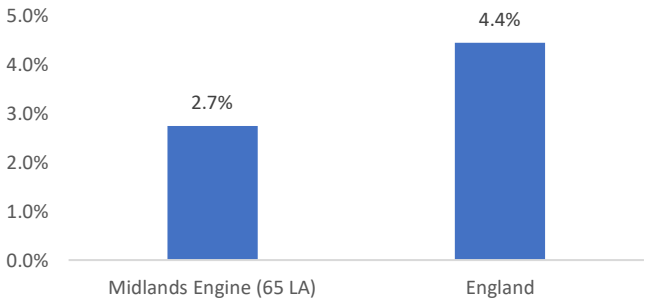


2017-18 % Change in Construction GVA

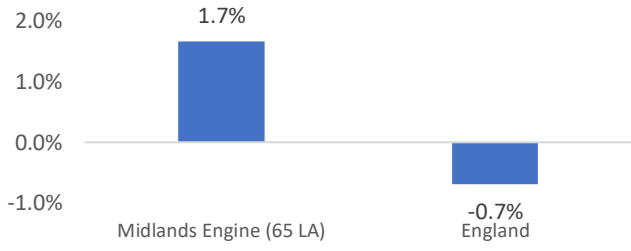


Jobs 2018: **120,540** 2.7% of total Midlands Engine employment

Creative, Design and Digital % of Total Jobs

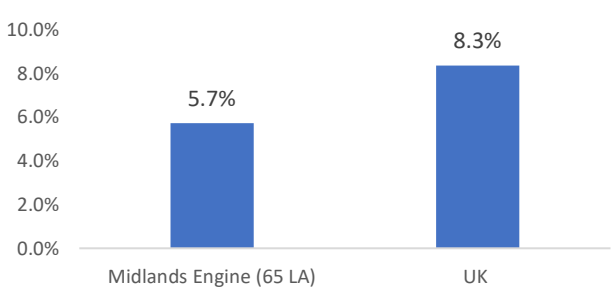


2017-18 % Change in Creative, Design and Digital Jobs

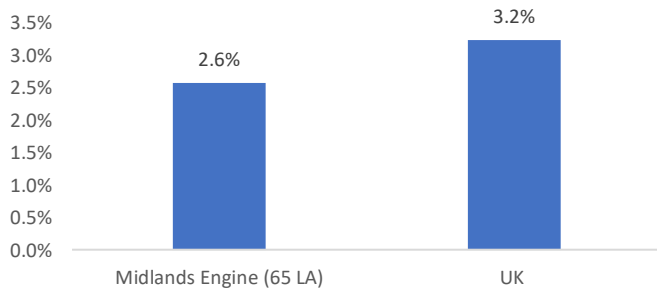


Businesses 2019: **21,005** 5.7% of total Midlands Engine Businesses

Creative, Design and Digital % of Total Businesses



2018-19 % Change in Creative, Design and Digital Businesses



Pre COVID-19 Life Sciences & Healthcare Summary Statistics

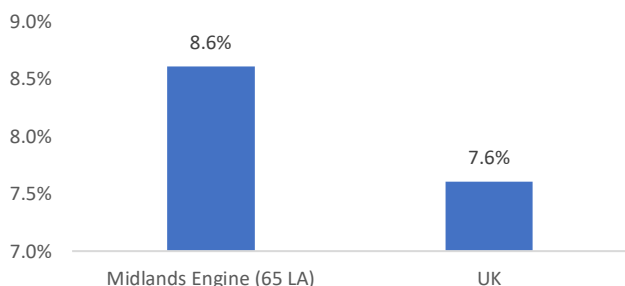
- Estimated **£20.6bn GVA** is from to the life sciences & healthcare sector in the Midlands Engine. This makes up 8.6% of the total GVA in the area – a higher percentage than the national average of 7.6%.
- **594,125 jobs** in the sector locally. This is equal to 13.5% of total Midlands Engine employment, a higher percentage than national average for the sector of 12.7%.
- **14,885 businesses** across the Midlands Engine in this sector. This makes up 4.0% of all businesses across the Midlands Engine, a slightly higher percentage than national average for this sector of 3.8%.
- GVA per employee of **£34,562**, significantly above the average across all sectors in the Midlands Engine of £54,179.

GVA

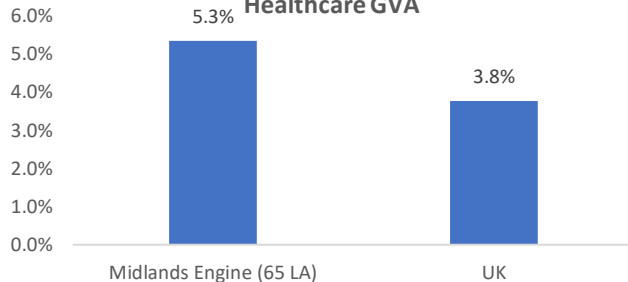
2018: **£20.6bn**

8.6% of total Midlands Engine GVA

Life Sciences & Healthcare % of Total GVA



2017-18 % Change in Life Sciences & Healthcare GVA

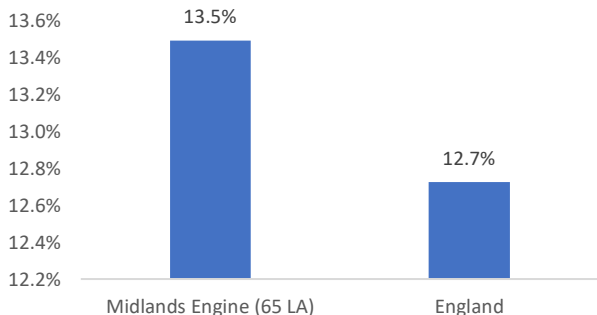


Jobs

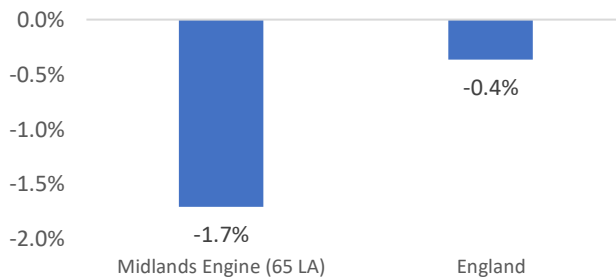
2018: **594,125**

13.5% of total Midlands Engine employment

Life Sciences & Healthcare % of Total Jobs



2017-18 % Change in Life Sciences & Healthcare Jobs

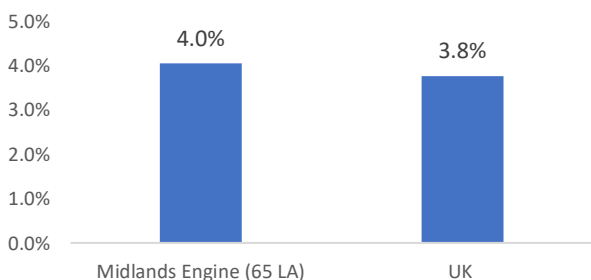


Businesses

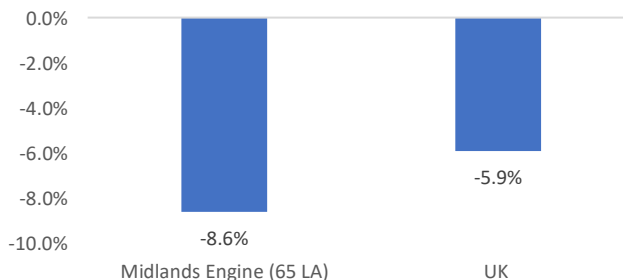
2019 **14,885**

4.0% of total Midlands Engine businesses

Life Sciences & Healthcare % of Total Businesses



2018-19 % Change in Life Sciences & Healthcare Businesses

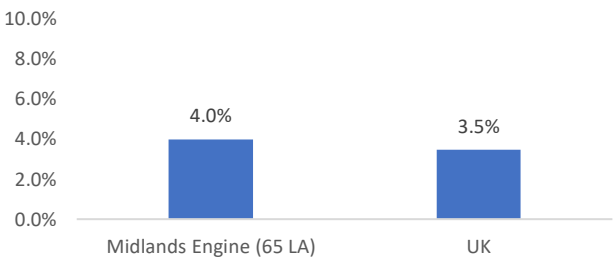


Pre COVID-19 Logistics & Transport Technologies Summary Statistics

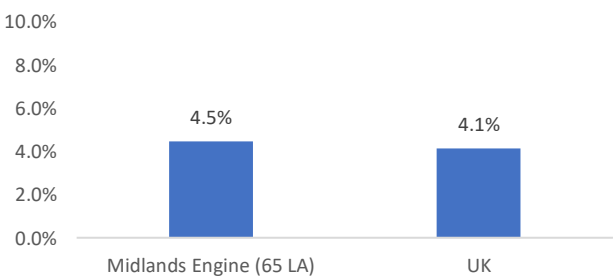
- Estimated **£10.6bn GVA** is from the logistics & transport technologies sector in the Midlands Engine. This makes up 4.0% of the total GVA in the area – a higher percentage than the national average for this sector of 3.5%.
- **252,700 jobs** in the sector locally. This is 5.3% of total Midlands Engine employment, a higher percentage than the national average for this sector of 4.9%.
- **21,780 businesses** across the Midlands Engine in this sector. This makes up 5.9% of all businesses across the Midlands Engine, a higher percentage than the national average for this sector of 4.1%.
- GVA per employee of **£45,398**, significantly above the average across all sectors in the Midlands Engine of £54,179.

GVA 2018: **£10.6bn** **4.0%** of total Midlands Engine GVA

2017-18 % Change in Logistics & Transport Technologies GVA

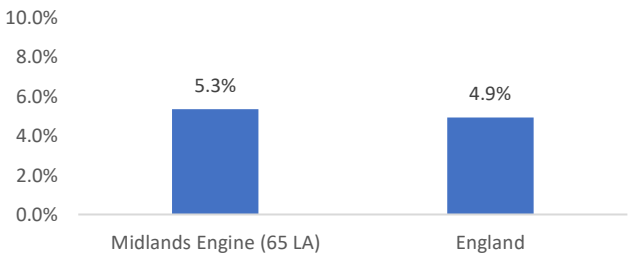


Logistics & Transport Technologies % of Total GVA

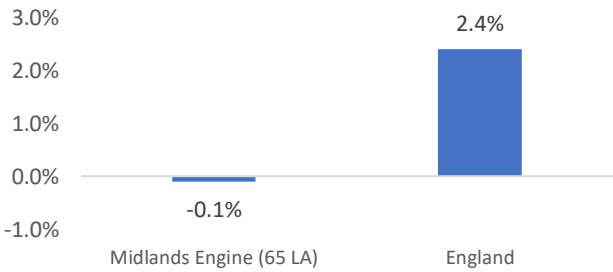


Jobs 2018: **252,700** **5.3%** of total Midlands Engine employment

Logistics & Transport Technologies % of Total Jobs

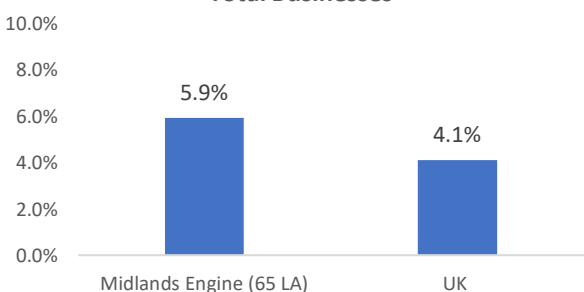


2017-18 % Change in Logistics & Transport Technologies Jobs

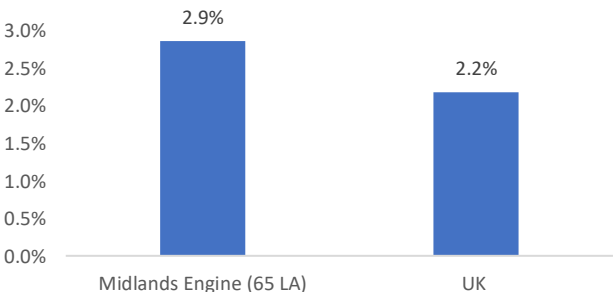


Businesses 2018: **21,780** **5.9%** of total Midlands Engine businesses

Logistics & Transport Technologies % of Total Businesses



2018-19 % Change in Logistics & Transport Technologies Businesses

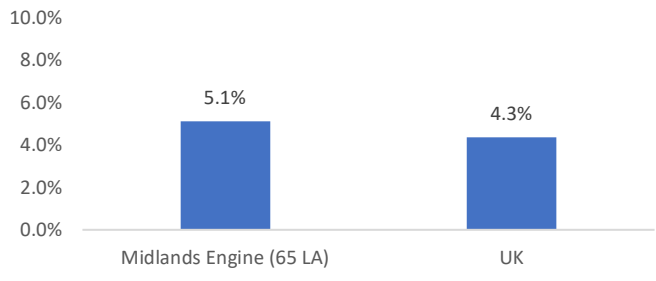


Pre COVID-19 Energy and Low Carbon Technologies Summary Statistics

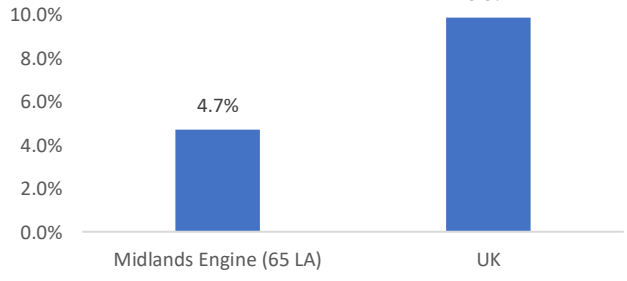
- Estimated **£24.4bn GVA** is from the energy and low carbon technologies sector in the Midlands Engine. This makes up 5.1% of the total GVA in the area – a higher percentage than the national average for this sector of 4.3%.
- **106,225 jobs** in the sector locally. This is 2.4% of total Midlands Engine employment, a higher proportion than the national average for the sector of 1.8%.
- **24,395 Businesses** across the Midlands Engine in this sector. This makes up 6.6% of all businesses across the Midlands Engine, a higher percentage than the national average for the sector of 6.0%.
- GVA per employee of **£114,691**, significantly above the average across all sectors in the Midlands Engine of £54,179.

GVA 2018: £24.4bn 5.1% of total Midlands Engine GVA

Energy and Low Carbon Technologies % of Total GVA

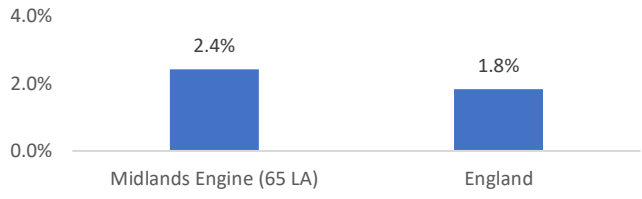


2017-18 % Change in Energy and Low Carbon Technologies GVA

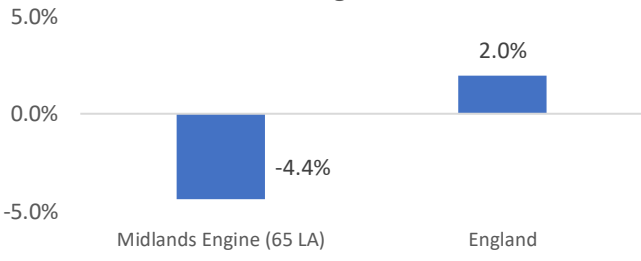


Jobs 2018: 106,225 2.4% of total Midlands Engine employment

Energy and Low Carbon Technologies % of Total Jobs

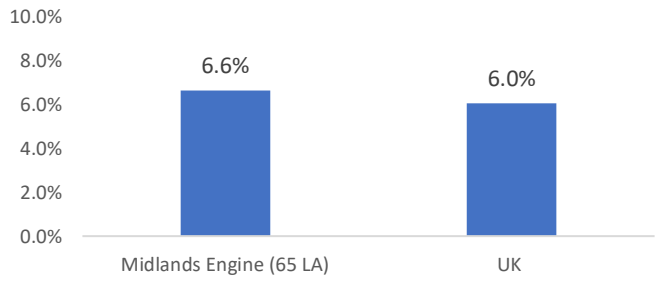


2017-18 % Change in Energy and Low Carbon Technologies Jobs

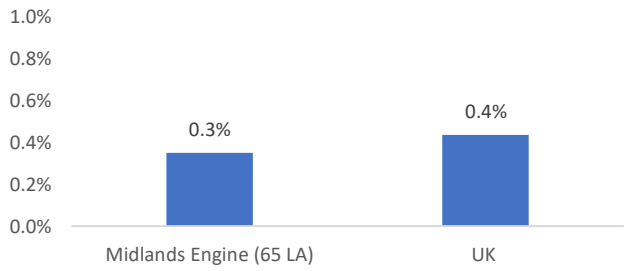


Businesses 2019: 24,395 6.6% of total Midlands Engine businesses

Energy and Low Carbon Technologies % of Total Businesses



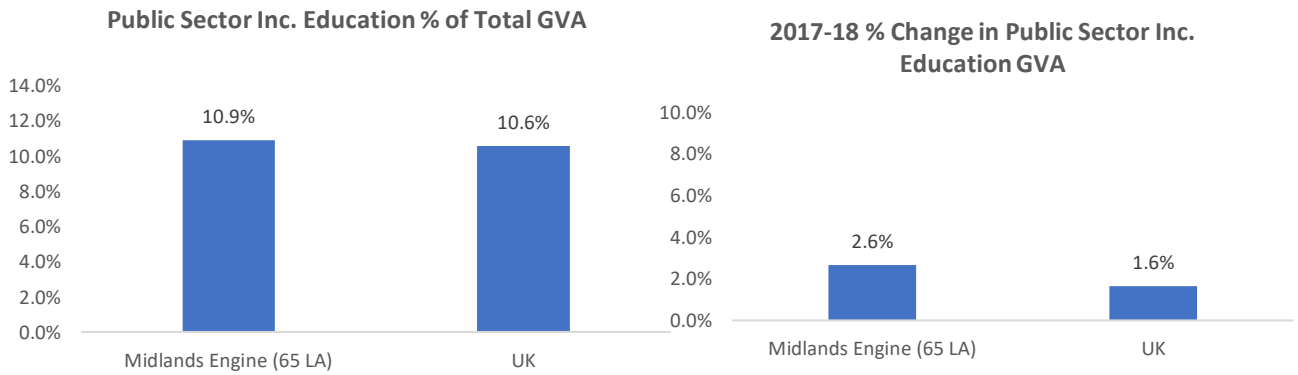
2018-19 % Change in Energy and Low Carbon Technologies Businesses



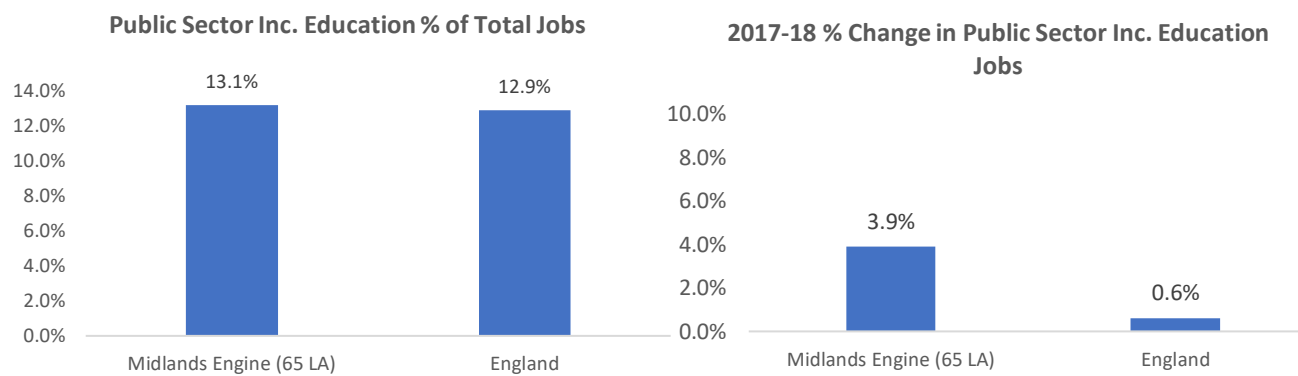
Pre COVID-19 Public Sector inc. Education Summary Statistics

- Estimated **£26.0bn GVA** is from the public sector inc. education in the Midlands Engine. This makes up 10.9% of the total GVA in the area – a higher percentage than the national average for this sector, 10.6%.
- **579,150 jobs** in the sector locally. This is 13.1% of total Midlands Engine employment, a higher percentage than the national average for this sector, 12.9%.
- **7,840 businesses** across the Midlands Engine in this sector. This makes up 2.1% of all businesses across the Midlands Engine, a slightly higher percentage than the national average for this sector, 1.9%.
- GVA per employee of **£44,959**, below the average across all sectors in the Midlands Engine of £54,179.

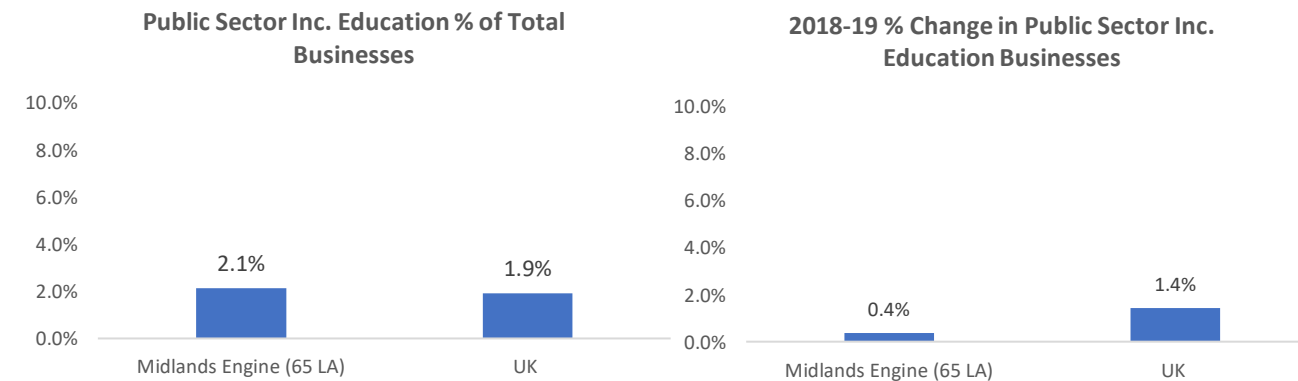
GVA 2018: **£26.0bn** 10.9% of total Midlands Engine GVA



Jobs 2018: **579,150** 13.1% of total Midlands Engine employment



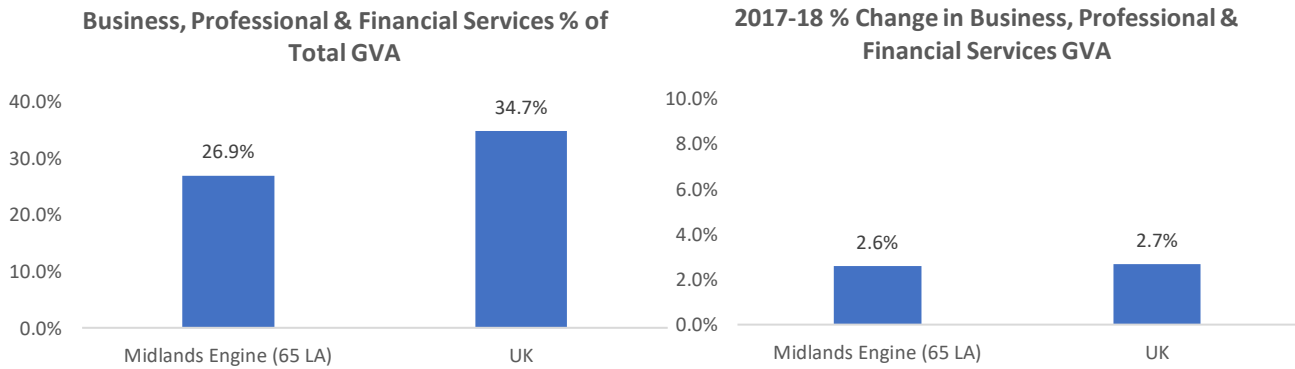
Businesses 2019: **7,840** 2.1% of total Midlands Engine businesses



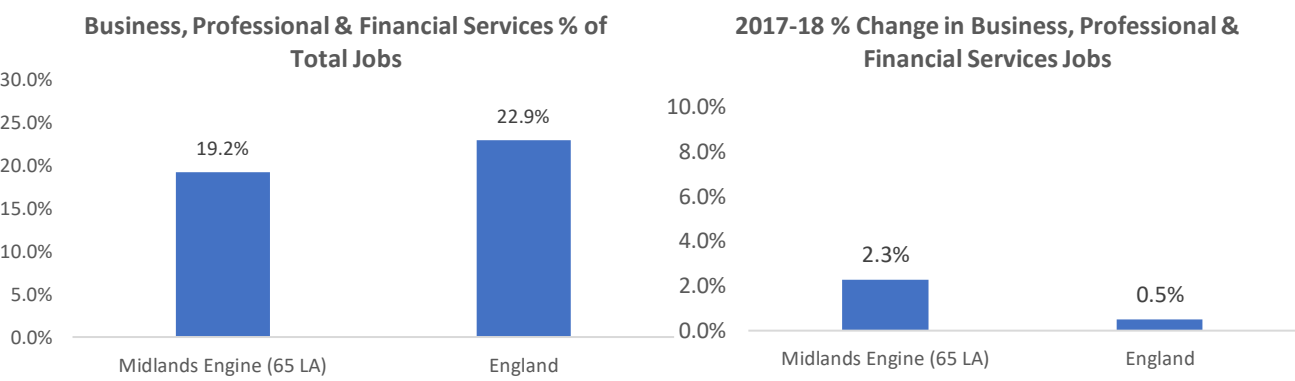
Pre COVID-19 Business, Professional & Financial Services Summary Statistics

- Estimated **£64.2bn GVA** is from the business, professional & financial services sector in the Midlands Engine. This makes up 26.9% of the total GVA in the area – a lower percentage than the national average for this sector of 34.7%.
- **905,215 jobs** in the sector locally. This is 19.2% of total Midlands Engine employment, a lower percentage than the national average for this sector of 12.9%.
- **114,640 businesses** across the Midlands Engine in this sector. This makes up 31.1% of all businesses across the Midlands Engine, a lower percentage than the national average for this sector of 34.0%.
- GVA per employee of **£76,206**, significantly above the average across all sectors in the Midlands Engine of £54,179.

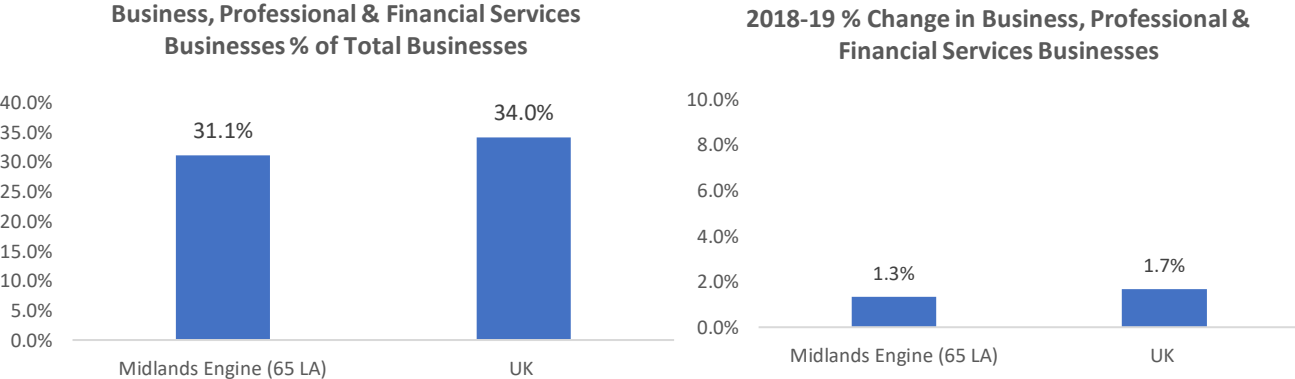
GVA 2018: £64.2bn 26.9% of total Midlands Engine GVA



Jobs 2018: 905,215 19.2% of total Midlands Engine employment



Businesses 2019: 114,640 31.1% of total Midlands Engine businesses



Pre COVID-19 Retail Summary Statistics

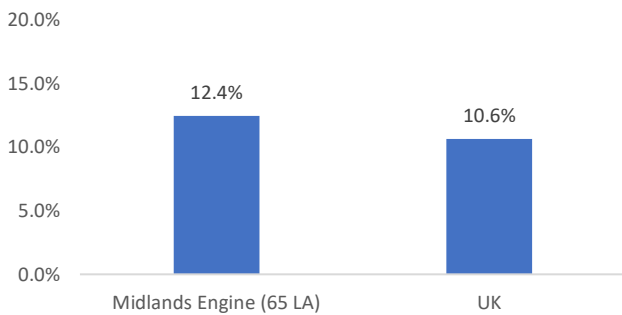
- Estimated **£29.7bn GVA** is from the retail sector in the Midlands Engine. This makes up 12.4% of the total GVA in the area – a higher percentage than the national average for this sector of 10.6%.
- **781,000 jobs** in the sector locally. This is 16.4% of total Midlands Engine employment, a higher proportion than the national average for this sector of 15.3%.
- **59,400 businesses** across the Midlands Engine in this sector. This makes up 16.1% of all businesses across the Midlands Engine, a higher percentage than the national average for this sector of 14.3%.
- GVA per employee of **£41,118**, significantly below the average across all sectors in the Midlands Engine of £54,179.

GVA

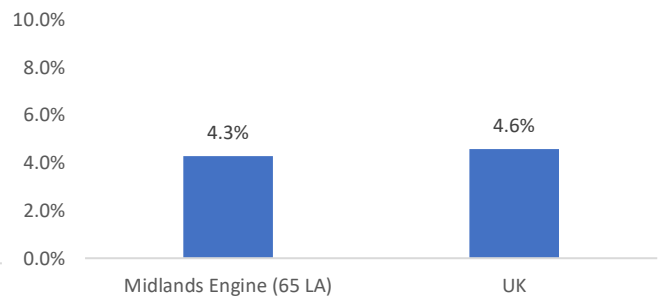
2018: **£29.7bn**

12.4% of total Midlands Engine GVA

Retail % of Total GVA



2017-18 % Change in Retail GVA

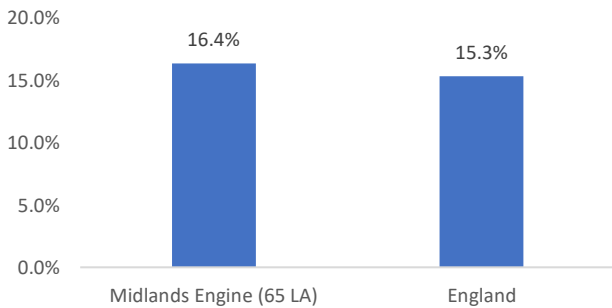


Jobs

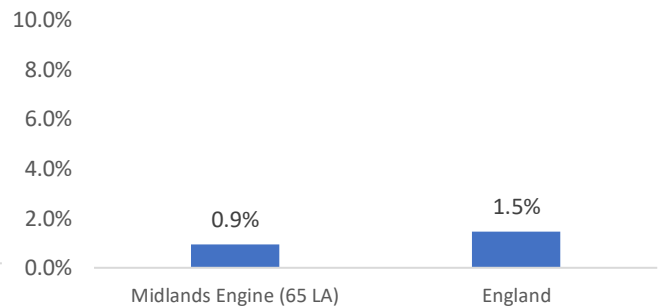
2018: **781,000**

16.4% of total Midlands Engine employment

Retail Jobs % of Total Jobs



2017-18 % Change in Retail Jobs

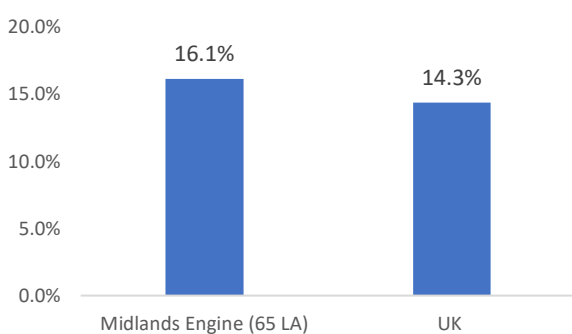


Businesses

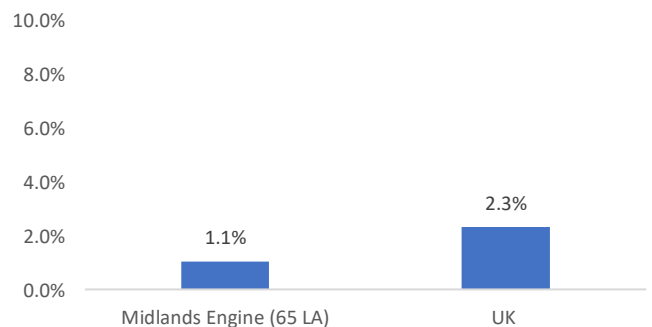
2019: **59,400**

16.1% of total Midlands Engine businesses

Retail Businesses % of Total Businesses



2018-19 % Change in Retail Businesses



Pre COVID-19 Visitor Economy Summary Statistics

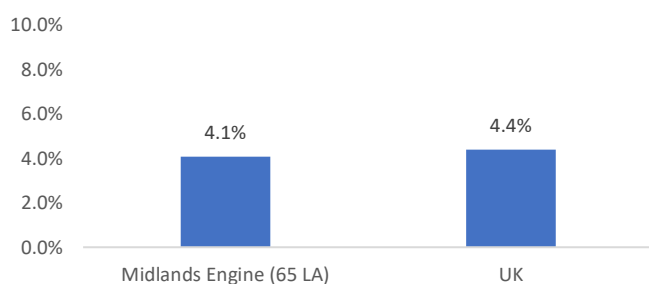
- Estimated **£9.7bn GVA** is from the visitor economy sector in the Midlands Engine. This makes up 4.1% of the total GVA in the area – a lower percentage than the national average for this sector of 4.4%.
- **394,950 jobs** in the sector locally. This is 8.4% of total Midlands Engine employment, a lower proportion than the national average for this sector of 9.9%.
- **28,185 businesses** across the Midlands Engine in this sector. This makes up 7.1% of all businesses across the Midlands Engine, a lower percentage than the national average for this sector of 8.3%.
- GVA per employee of **£26,229**, significantly below the average across all sectors in the Midlands Engine of £54,179.

GVA

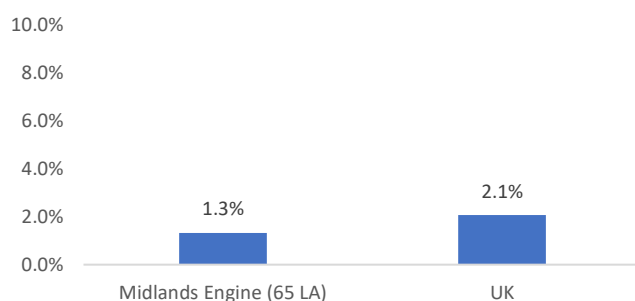
2018: **£9.7bn**

4.1% of total Midlands Engine GVA

Visitor Economy % of Total GVA



2017-18 % Change in Visitor Economy GVA

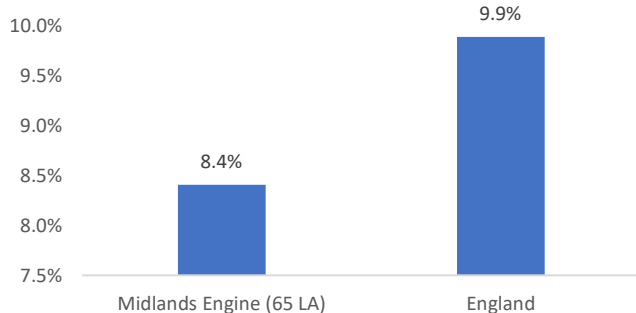


Jobs

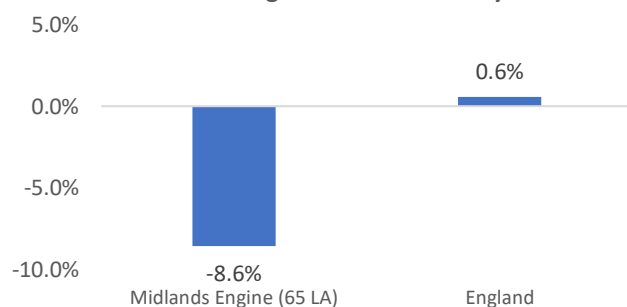
2018: **394,950**

8.4% of total Midlands Engine employment

Visitor Economy % of Total Jobs



2017-18 % Change in Visitor Economy Jobs

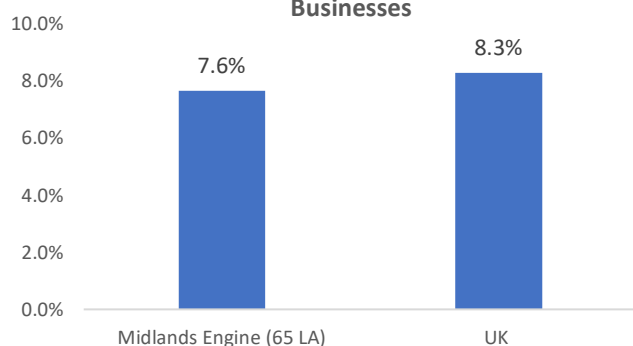


Businesses

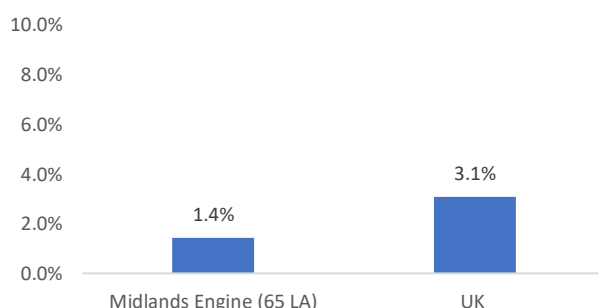
2019: **28,185**

7.1% of total Midlands Engine businesses

Visitor Economy Businesses % of Total Businesses



2018-19 % Change in Visitor Economy Businesses



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