MIDLANDS ENGINE
OBSERVATORY

MIDLANDS ENGINE

REGIONAL ECONOMIC IMPACT MONITOR

EDITION 47: APRIL 2024

Executive Summary

There continues to be signs of mixed business confidence in the Midlands Engine. Challenges including rising costs and borrowing, struggles with accessing funding, and fading demands have impacted business confidence in the region. This Regional Economic Impact Monitor, the April 2024 edition, explores these recent trends, as well as other key recent announcements / releases and **considers what it all means for the Midlands.**

Business sentiment in the East Midlands was the weakest in the UK in Q1 2024, despite a slight rise from the previous quarter, **while the West Midlands was the only region to fall** but remains above historical norms.

This is echoed in the latest PMI figures as the West Midlands business activity decreased from 53.1 in February 2024 to 52.8 in March 2024. This reading still indicates an increase in business activity but was restricted due to fading demand. **The East Midlands Business Activity Index decreased from 54.2 in February 2024 to 51.0 in March 2024**. There was still an increase in business activity but was the slowest growth seen in the last three months due to subdued demand conditions and a weaker rise in new orders.

The **current regional economic and business outlook appears mixed.** This month's Regional Economic Impact Monitor presents this information and more**.**

Areas of concern include:
- **Unemployment: The Midlands Engine unemployment rate is still higher than national average** (4.4% vs 3.7%) and has increased at a greater rate since the previous year.
- **Labour Market: Trends of falling vacancy numbers and slowing earnings growth have continued this month.**
- **Skills: Approximately 7.3% (447,500) of working age residents in the Midlands Engine area had no formal** qualifications compared to 6.6% UK-wide in 2023. **To eradicate the gap with the UK average, 38,808 of the working age Midlands Engine residents are needed to obtain at least one qualification.**
- **The high cost of living, matched by the proliferation of low-security work, means few workers can embrace the risk presented by mid-career upskilling.** An under-equipped workforce leaves businesses heavily reliant on migration to fill surging rates of skills-shortage vacancies.
- **Claimants:** There were **285,380 claimants aged 16 years and over** in the Midlands Engine area in March 2024, an increase of **63,840 more claimants (+28.8%, UK +28.2%) when compared to March 2020**.
- **Low pay:** The East Midlands was the 3rd highest area for workers earning minimum wage at 7.3%, followed by the West Midlands in 5th position at 6.5%. However, from the 1st April workers will earn **a cash increase of 9.8% and a real terms increase of 7.8%.**
- **Retail closures: Data** for the **West Midlands** in 2023 reveals there was a **negative net change of 483** (up from -428). For the **East Midlands** there was a **negative net change of 386** (up from -209).

Positively, new figures reveal:
- **The employment rate and economic activity rates have increased to 75.0% and 78.3% respectively, growing faster than nationally but they still lag behind the UK**, (75.7% and 78.7%).
- The impact of Covid-19 saw Gross Value Added (GVA) decrease between 2019 and 2020, however the latest figures show a **continuation in the recovery from this period with total GVA in the Midlands Engine area increasing for the second consecutive year.** Total GVA in the Midlands Engine area increased from £256.1bn in 2021 to £277.2bn in 2022. This equated to an 8.3% increase in total GVA (UK: +9.7%).
- **Midlands Engine GVA per head increased from £24,675 in 2021 to £26,421 in 2022.** This equated to a 7.1% (+£1,747) increase, the UK increased by 8.8%%. **In 2022, there was a GVA per head shortfall of £6,805 to the UK figure (£33,227), increasing from the shortfall seen in 2021.**
- 41.5% of residents are now educated to RQF Level 4+ and increased faster than national.

More broadly, this month covers a series of different work on **innovation and tech**; revealing **firms in the Midlands report a higher level of innovation intensity compared to the UK average.** Despite a dip from the peaks of 2021 and 2022, tech investment in 2023 still exceeded pre-pandemic figures. **This signals a recovery in equity funding and a stronger UK position in fostering tech innovation.** Entrepreneurship is distributed throughout the country with **investment growing fastest in the West Midlands,** as Birmingham has seen significant growth in the past 5 years. **Interest in the West Midlands remains strong as tech clusters continue to thrive and means Birmingham is the second city for global tech talent career destinations (after London).**

And other pieces on the **varied geographical effects of migration related to higher education,** revealing **the most popular destinations are cities for graduates, and medium towns for L3 to L5 non-graduates.**

Global and National Outlook

Global

World Economic Outlook 2024

In the latest release of the World Economic Outlook report, the **International Monetary Fund highlighted the following summary of key findings for regional economic growth**:

The baseline forecast is for the world economy to continue growing at 3.2 percent during 2024 and 2025. This is the same pace as in 2023. A slight acceleration for advanced economies—where growth is expected to rise from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025—is expected to be offset by a modest slowdown in emerging market and developing economies from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025.

The forecast for global growth five years from now—at 3.1 percent—is at its lowest in decades. Global inflation is forecast to decline steadily, from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. Core inflation is generally projected to decline more gradually.

National

Regional UK Economic Growth Gap to Widen

In the latest release of the EY Regional Economic Forecast report, EY highlighted the following key findings for regional economic growth:

- **Economic momentum is set to return to all parts of the UK between 2024 and 2027**, but London and the South East are forecast to see faster GVA growth than the UK average.
- **UK employment is set to grow by 1.1% annually** but London (1.5%), the South East (1.3%) and the South West (1.2%) are expected to exceed the UK average.
- All other locations are forecast to see employment grow at a slower rate than the UK average.
- London and the South East accounted for 39% of overall UK GVA in 2023, compared to 36% in 2005, and EY forecasts this will rise to 40% by 2027.
- **The EY report indicates that the growth gap is being exacerbated by the UK's post-pandemic rise in labour market inactivity**, with the highest levels of inactivity found in Northern Ireland (25.7%), the North West (22.9%) and Wales (22%).

Economic Activity and Social Change in the UK

In the latest Ec**onomic activity and social change in the UK** update from the ONS, the key findings were:

- **Consumer behaviour indicators showed increased activity in the latest week**, with aggregate UK spending on credit and debit cards increasing by 1% compared with the previous week and transactions at Pret A Manger stores increasing in 9 of the 10 location categories; meanwhile, overall retail footfall remained broadly unchanged. (Bank of England CHAPS, Pret A Manger, MRI OnLocation).
- **The total number of online job adverts on 12 April 2024 decreased by 2% when compared with the previous week**; this was 19% below the level seen for the equivalent period of 2023 (Adzuna).
- **In March 2024, 5% more firms reported a decrease than an increase in turnover on the previous month**, falling from a net increase of 2% in February 2024 (HM Revenue and Customs Value Added Tax returns).
- **Nearly half (49%) of trading businesses reported they were not considering raising prices in May 2024**; in comparison, labour costs (24%) were reported as the top reason for businesses considering doing so, both broadly stable with April 2024.
- In the week ending 14 April 2024, **the System Price of electricity decreased by 40%, falling to the lowest level since July 2020**, while the **System Average Price (SAP) of gas increased by 6%**; both remained below the levels seen for the equivalent week of 2023 at 68% and 31% lower, respectively (Elexon, National Gas Transmission).
- **In the latest week, the daily average number of UK flights increased by 2% when compared with the previous week**, and the average traffic camera activity for cars in London increased by 5% (EUROCONTROL, Transport for London).

Cost of Living Pressures Weigh on People's Leisure Habits

Britons are choosing to spend less money in pubs and bars than at any time since lockdown ended, according to research by Deloitte. The survey, which asked nearly 3,200 UK consumers if they had spent more, less or the same on leisure in the past three months, showed **sentiment in "eating out" and "drinking in pubs and bars" had declined by about 6 percentage points** from the previous quarter, more than the leisure average. Pub operators said they were grappling with the **costs of food and drink, energy and most recently wages, an issue triggered by an increase in the national living and minimum wage.**

Policy Considerations

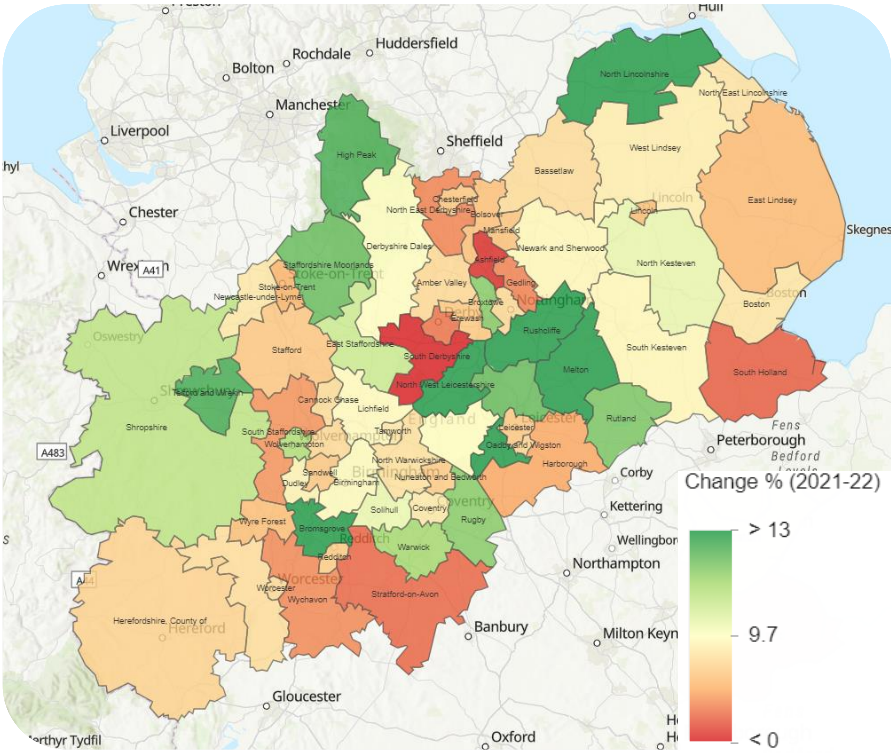
THEME	KEY INSIGHTS
Outlook	• There is concern that the UK is stuck on a low-growth treadmill. Recent data from the Office for National Statistics (ONS) reveals **monthly real Gross Domestic Product (GDP) is estimated to have grown by 0.1% in February 2024,** following a revised 0.3% growth in January 2024. This monthly figure was mainly driven by **increasing output in production, particularly manufacturing and services. GDP grew by 0.2% in the three months to February 2024** relative to the previous three-month period. This was generated by a rise in output in **production and services.** • The EY ITEM Club Spring Forecast **expects the UK economy to grow 0.7% in 2024**, downgraded slightly from the 0.9% projected in January's Winter Forecast. However, **GDP growth expectations for 2025 have been upgraded from 1.8% to 2%.** Inflation is forecast to fall **below 2%** in H2 2024 due to lower wholesale energy prices and slower increases in food and goods prices. The Bank Rate is now expected to fall 75 basis points in 2024 to 4.50%. • Although economic activity has picked up since the start of the year, **the outlook remains weak by historical standards**. NIESR **forecast GDP to grow by 0.4% in the first quarter of 2024**. Their early forecast for the second quarter of this year sees **GDP growing by 0.3%.** While exiting from the shallow recession in the second half of 2023 is welcoming, these forecasts remain broadly consistent with the longer-term trend of low, but stable economic growth in the UK. • NIESR note, to escape a low-growth trap, **structural changes are needed, such as an increase in public investment, particularly in infrastructure, education and health**. • The latest economic forecast from the **Office for Budget Responsibility (OBR)** paints a notably optimistic picture of the UK's near-term growth prospects. It expects the UK economy to grow by 0.8% this year, beating its previous forecast of 0.7% growth made in November 2023. Expectations for GDP growth are now 1.9% in 2025, up from predictions in November of 1.4% GDP growth in 2025.
Trading Conditions	• The **Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 3.8%** in the 12 months to March 2024, unchanged from February. The **Consumer Prices Index (CPI) rose by 3.2%** in the 12 months to March 2024, down from 3.4% in February. • The British Chamber of Commerce's most recent Quarterly Economic Survey showed **almost half of firms expect their prices to rise over the next three months. Labour costs are cited as the main driver,** but increasing political and global uncertainty is becoming a key factor. Businesses will be keen to see how this data translates into changes on interest rate policy. British Chambers of Commerce reveal **more than a third of SMEs surveyed at the start of the year have seen increased borrowing costs because of the current interest rate, with small and mid-sized firms (39%), manufacturers (36%) and business to consumer firms (37%) are more likely to report a negative impact.** • **As small and medium sized firms across the UK continue to deal with ongoing economic pressures –** new data from the British Chambers of Commerce Insights Unit reveal around half (49%) of business surveyed who accessed finance felt that getting funding had become more challenging over the past three years. Only 13% said it was getting easier. • Be the Business' Productive Business Index **demonstrates higher levels of confidence and optimism amongst UK SMEs** by 2.5 points, driven by a strong growth in activities to improve productivity being undertaken and planned by businesses. **38% of business leaders predict increased revenues over the next 3 months** - the most positive forecast since the first edition of the PBI in 2021. • The number of **companies in the Midlands going into administration surged by almost 40%** in the first quarter of the year, reflecting the challenges faced by businesses in the region. There were 43 administrations across the Midlands in Q1 2024, up from 31 in the same period last year. • ICAEW reveals **sentiment in the East Midlands was the weakest in the UK** in Q1 2024, despite a slight rise from the previous quarter, **while the West Midlands was the only region to fall** but remains above historical norms.
Labour Market	• The Prime Minister has announced plans to consult on reforms to disability benefits, following new forecasts from the Department for Work and Pensions (DWP) and the OBR indicating a **substantial increase in the number of people claiming health-related benefits in the coming years. IFS suggest that there are now 4.2 million working-age individuals – one in ten – in Great Britain claiming a health-related benefit. That number could rise to 5.4 million (12.4%) by 2028–29, a rise of more than 2 million since 2019–20**, with the rapid increases in health-related benefits cases that began around the beginning of the pandemic projected to continue. • While the causes of the recent rise in incapacity and disability benefits are not yet well understood, the implications for government spending – not to mention the population's health – are significant. • NIESR report that **wage growth remains high by historical standards, enabling households to achieve real income gains** following a period of purchasing power erosion due to high inflation. Real wage growth is expected to bolster the UK economy's recovery from a shallow recession.

1. Economy and Innovation

Gross Value Added

The ONS have released annual estimates of economic activity that now covers up to 2022. **The impact of Covid-19 saw Gross Value Added (GVA) decrease between 2019 and 2020, however the latest figures show a continuation in the recovery from this period with total GVA in the Midlands Engine area increasing for the second consecutive year.** Total GVA in the Midlands Engine area increased from £256.1bn in 2021 to £277.2bn in 2022. This equated to an 8.3% increase in total GVA (UK: +9.7%).

Percentage change in GVA (2021-22) compared to national average:



Out of the 65 local authorities in the Midlands Engine, 64 local authorities increased in total GVA between 2021 and 2022 (as South Derbyshire had an 11.0% decline from £3.2bn to £2.8bn). The highest percentage increase was in North Lincolnshire, increasing by 17.4% (+£1bn) to nearly £6.8bn in 2022. The highest value increase was in Birmingham, by nearly £2.8bn (to a total of £32.0bn).

Interactive maps can be found here.

Midlands Engine GVA per head increased from £24,675 in 2021 to £26,421 in 2022. This equated to a 7.1% (+£1,747) increase, the UK increased by 8.8%%. **In 2022, there was a GVA per head shortfall of £6,805 to the UK figure (£33,227), increasing from the shortfall seen in 2021.** Across the 65 local authorities in the Midlands Engine area, 63 increased for GVA per head (Ashfield decreased from £22,816 to £22,763 and South Derbyshire decreased from £29,282 to £25,339). Of the 63 local authorities that increased, the highest percentage increase was in North Lincolnshire by 17.4% (+£5,911) to £39,955 – this was also the highest value increase. **There were ten local authorities in the Midlands Engine area that were above the UK GVA per head figure in 2022.**

All sectors increased or remained the same over the year. Of the Midlands Engine ten sectors, Business, Professional & Financial Services remains the largest in terms of GVA at £77.9bn (28.1% of the total, UK 35.9%), followed by Advanced Manufacturing at £42.8bn (15.4% of total GVA, UK 9.4%). The Midlands Engine area has a higher proportion when compared to the UK in seven sectors, these are highlighted in green in the table below.

GVA by sector:

	Midlands Engine					UK			
	2021	2022	% Change	Num Change	% of 2022 total	2021	2022	% Change	% of 2022 total
	£ Millions			£ Millions		£ Millions			
Advanced Manufacturing	£41,331	£42,760	3.5%	£1,429	**15.4%**	£197,646	£210,382	6.4%	9.4%
Business, Professional & Financial Services	£70,985	£77,850	9.7%	£6,865	28.1%	£739,229	£805,772	9.0%	35.9%
Construction	£17,515	£20,255	15.6%	£2,740	**7.3%**	£132,995	£154,615	16.3%	6.9%
Creative, Design & Digital	£10,171	£10,915	7.3%	£744	3.9%	£131,244	£146,581	11.7%	6.5%
Energy & Low Carbon Activities	£10,501	£11,550	10.0%	£1,049	**4.2%**	£78,082	£87,767	12.4%	3.9%
Healthcare & Life Sciences	£24,366	£24,366	0.0%	£0	**8.8%**	£175,665	£175,682	0.0%	7.8%
Public Sector inc. Education	£30,115	£32,809	8.9%	£2,694	**11.8%**	£229,790	£250,398	9.0%	11.1%
Retail	£31,764	£33,719	6.2%	£1,955	**12.2%**	£217,689	£234,263	7.6%	10.4%
Transport Technologies & Logistics	£10,711	£12,189	13.8%	£1,478	**4.4%**	£66,471	£78,940	18.8%	3.5%
Visitor Economy	£8,638	£10,808	25.1%	£2,170	3.9%	£77,825	£101,647	30.6%	4.5%
Total	**£256,072**	**£277,215**	**8.3%**	**£21,143**	**100.0%**	**£2,046,636**	**£2,246,047**	**9.7%**	**100.0%**

How Well do Barriers and Enablers Predict Regional Innovation

A report from The Innovation and Research Caucus that uses the Innovation State of the Nation Survey (ISNS) 2023 dataset, **considers regional contrasts in the link between innovation outcomes and the enablers of and barriers to innovation activity**. **They find a largely consistent relationship between innovation intensity (the number of types of innovation activity in which firms engage) and their barriers and enablers across regions.**

However, the regional profile of innovation propensity (whether firms are actually engaging with innovation) varies strongly even after controlling for a range of firm-level enablers/barriers to innovation. **The results suggest a 'two-speed' innovation economy** – a group of four 'baseline' regions (Scotland, North East, Yorkshire and The Humber and the East of England) where the propensity for innovation is consistent with the enablers/barriers, and a group of 'over-performing' regions (North West, **East Midlands**, **West Midlands**, London, South East and the South West) in which firms seem more capable in translating the enablers into higher innovation propensity. **The findings suggest the value of regionally differentiated innovation policy which can support firms' ability to become innovative in baseline regions and generate value from innovation in over-performing regions.**

Key Midlands Insights:

- Based on innovation intensity (total number of types of innovation), it was found that **firms in the Midlands and Wales report a higher level of innovation intensity compared to the UK average.**
- Overall, on average, 34% of firms in the UK sought external advice of some sort in the year before the survey. **Firms in London and the Midlands regions were more likely to seek external advice** (more than 39%). **70% of firms in the East Midlands sought advice related to strategic direction, while more than 63% of firms in the West Midlands and Northern Ireland were looking for support related to digital technologies.**
- Looking specifically at innovation support (support with introducing new or improved products), **firms in the Midlands, East of England, South East and Northern Ireland regions generally sought more innovation support when comparing to the national average.**
- **Firms in the West Midlands region had the highest level of collaboration,** with more than 49% of firms collaborating on innovation with external partners.
- **Firms in the Midlands region are more likely to invest in machinery and equipment,** reflecting perhaps the sectoral composition of firms in the region.
- **More than 45% of innovators in the Midlands reporting barriers related to lack of finance**. Innovators in the West Midlands also reported skills-related barriers (54%).

Innovation activities:

	Being an Innovator	Total Innovation Output (%)			New-to-Firm/market innovation (% firms)		Process innovation % firms	Organizational Innovation	Innovation intensity (Average)
		Product only	Service only	Both Product & service	Wholly New-to-Firm	Some New-to-Market			
UK average	60.2	17.2	13.7	30.4	32.5	28.3	45.8	62.2	2.34
North East	46.7	12.0	14.6	20.4	22.7	24.3	37.9	43.0	2.05
North West	64.0	12.9	20.3	30.9	34.5	29.6	47.3	31.8	2.32
Yorkshire & Humber	48.6	17.1	9.2	24.2	14.8	35.6	40.7	41.4	2.17
East Midlands	66.9	19.3	13.5	34.4	30.3	36.9	55.6	35.2	2.40
West Midlands	58.7	15.9	16.3	27.1	29.2	30.1	47.0	35.9	2.32
East of England	56.4	12.9	9.6	34.0	34.6	22.6	38.8	41.1	2.17
London	64.6	20.1	18.5	26.9	31.3	34.2	47.9	38.6	2.58
South East	57.6	17.2	12.6	29.2	30.2	28.8	48.5	39.6	2.19
South West	57.9	20.0	7.7	30.5	39.2	19.1	45.8	38.4	2.48
Scotland	62.6	18.4	12.8	32.0	34.3	28.9	43.1	38.7	2.35
Wales	70.0	19.4	14.5	34.2	46.7	23.3	43.2	23.7	2.84
Northern Ireland	69.4	16.2	6.3	46.9	48.9	20.5	32.1	43.5	2.40

Notes and Sources: Innovation intensity includes six different forms of innovation measured in the ISNS 23 (i.e., product/service, process, business practices, work organisation, organising external relationships, marketing strategies) and create a 'count' variable reflecting the number of types of innovation undertaken by each firm. Firms undertaking no innovation of any type here take value 0; where firms were undertaking all types of innovation the intensity measure equals 6. Sample sizes for Northern Ireland and Wales were relatively small. Source: INSN 2023.

Innovation Nation

Beauhurst in collaboration with Barclays Eagle Labs dives into the UK's tech ecosystem, exploring insights on access to capital and support structures.

65.4% expressed positive views of public and local grants despite acknowledging (46.6%) a financial disparity outside of London. In addition to public funding, equity investment is also crucial for the success of tech companies. **Despite a dip from the peaks of 2021 and 2022, tech investment in 2023 still exceeded pre-pandemic figures. This signals a recovery in equity funding and a stronger UK position in fostering tech innovation.**

Investment into the UK tech industry reached just over £12.3b in 2023. Whilst down from the highs of 2021 and 2022, the investment amount still surpassed annual pre-pandemic levels, which indicates positive signs of recovery for equity investment into tech. In 2023 alone, five new UK based companies reached unicorn status, meaning they reached a valuation of $1b. Four of these companies operate in the tech sector.

Analysing the scale of the UK's tech sector becomes clearer when comparing its fundraising activities with those of other sectors. In 2023, the business and professional services sector raised £9.30b in equity funding, which was approximately three-quarters of the amount raised by tech companies. The business and professional services sector was also not immune to the macroeconomic impacts that saw a reduction in equity fundraising by companies in 2023.

Grant funding awarded to tech companies in Wales increased to £25.9m in 2023, up 32.8% compared with the previous year. Companies in Cardiff were responsible for a significant proportion of this grant funding, having been awarded £14.3m in 2023.

Whilst equity funding in Northern Ireland fell across the year, tech companies in Belfast continued to attract investment. In 2023, investment in Northern Irish tech companies reached £92.1m, a 7.59% uptick from the previous year. There was positive growth in investment into tech companies in Yorkshire and the Humber, with companies in the region seeing a 19.9% increase in equity fundraising. This goes against the broader trends seen by companies headquartered in England as a nation. **East Midlands-based companies saw an increase in grant funding from 2022 to 2023. This was in part due to companies in Nottingham raising £14.4m in grant funding during 2023, just over double the levels from 2022.**

English regions – Tech company population:

North East

Company population:	407	▲ 1.72%
Investment:	£210m	▼ -4.76%
Grants:	£11.5m	▲ 15.4%
Spinouts:	46	

North West

Company population:	1,261	▲ 0.95%
Investment:	£338m	▼ -98.5%
Grants:	£18.3m	▼ -2.20%
Spinouts:	95	

South East

Company population:	2,421	▲ 0.95%
Investment:	£1.29b	▼ -54.0%
Grants:	£100m	▲ 21.2%
Spinouts:	231	

London

Company population:	7,567	▲ 2.15%
Investment:	£7.79b	▼ -72.0%
Grants:	£105m	▼ -28.3%
Spinouts:	48	

South West

Company population:	1,044	▲ 1.15%
Investment:	£454m	▼ -58.6%
Grants:	£59.4m	▼ -0.04%
Spinouts:	107	

East of England

Company population:	1,476	▲ 0.81%
Investment:	£1.16b	▼ -37.9%
Grants:	£51.2m	▼ -79.4%
Spinouts:	160	

East Midlands

Company population:	539	▲ 3.34%
Investment:	£101m	▼ -24.8%
Grants:	£20.1m	▲ 8.90%
Spinouts:	45	

West Midlands

Company population:	750	▲ 1.36%
Investment:	£123m	▼ -23.6%
Grants:	£13.0m	▼ -3.43%
Spinouts:	58	

Yorkshire & the Humber

Company population:	737	▲ 1.36%
Investment:	£201m	▲ 19.9%
Grants:	£19.2m	▼ -3.43%
Spinouts:	71	

Source: Beauhurst in collaboration with Barcleys Eagle Labs dives into the UK's tech ecosystem. This data presents the active and dormant tech company population in 2023. Percentage changes are derived by comparing statistics from 2023 with those from the preceding year (2022). The spinout population data is accurate up to the end of December 2023.

Tech Nation Global Talent Visa

The [Tech National Global Talent Visa Report]() highlights a combined market value of more than $1tn in 2023, the UK tech sector is one of the world's top destinations for global talent.

Investment by Region

UK tech startups in London raise the most capital, but **entrepreneurship is distributed throughout the country with investment growing fastest in the West Midlands,** Glasgow, and Northern Ireland. **Birmingham,** Liverpool, Sheffield, Glasgow and Belfast have seen significant growth in the past five years.

UK Destinations

The vast majority of global talent pursue their UK tech careers in England. On average, over the past five years, 96.8% of endorsed applicants intended to move their careers to England, 2.3% to Scotland, 0.5% Wales, and 0.3% Northern Ireland.

In England, London dominates, with interest in the UK capital increasing over the past five years. 78% of global talent intended to pursue careers in London in 2023, compared with 69% in 2019.

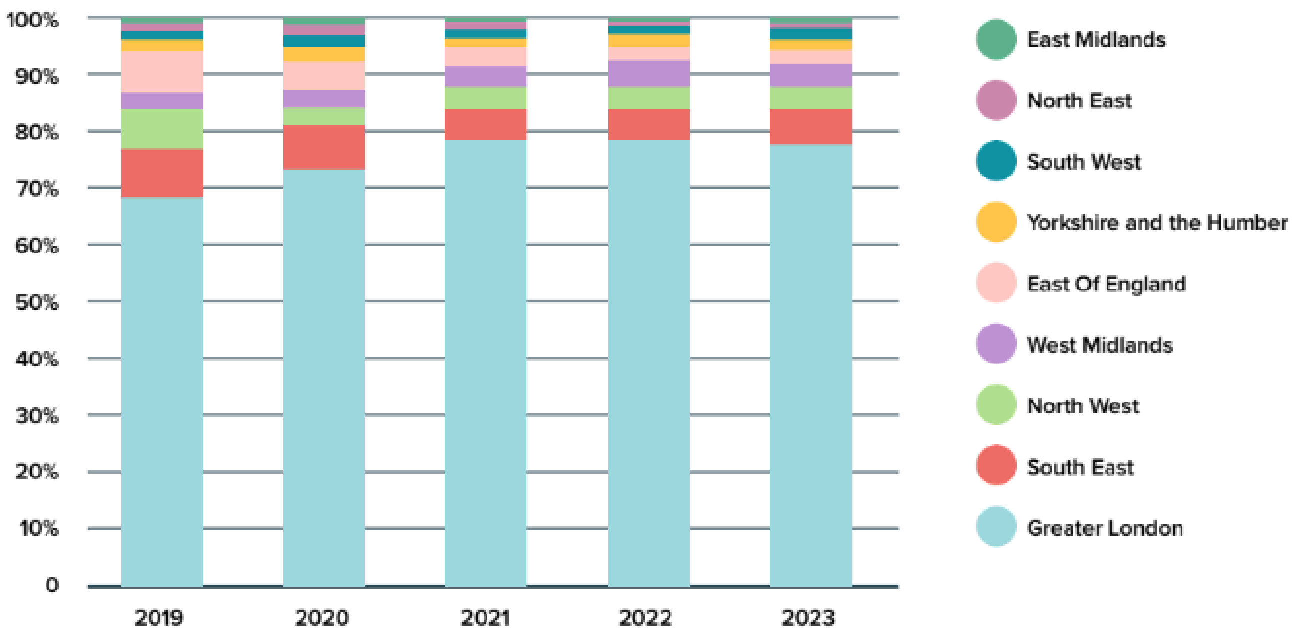
Investment in UK Tech by City:

City	2023	Growth in VC (2019-2023)
Birmingham	$643M	1183%
Liverpool	$195M	657%
Sheffield	$300M	595%
Glasgow	$224M	526%
Belfast	$123M	227%
Oxford	$786M	125%
Durham	$133M	104%
Brighton	$24M	47%
Cambridge	$1B	31%
Cardiff	$125M	9%
London	$12B	4%
Leeds	$88M	-5%
Newcastle	$70M	-13%
Edinburgh	$135M	-21%
Bristol	$437M	-27%
Nottingham	$12M	-33%
Manchester	$237M	-44%

Source: Tech Nation Global Talent Visa Report 2024 - 10 Years of Global Talent in UK Tech

At the same time, interest in England's South East, North West, and **West Midlands remains strong as tech clusters continue to thrive across the country.**

Intended destinations of global talent in England:



Source: Tech Nation Global Talent Visa Report 2024 - 10 Years of Global Talent in UK Tech

After London (78%), **the top UK cities for global tech talent are Birmingham (4% choose the city as their intended career destination**), Manchester (3%), Cambridge (2%), Oxford (2%), Edinburgh (1%), and Leeds (1%).

University-Business Interactions

University-business collaboration has long been a cornerstone of the UK's innovation ecosystem. However, recent data from the [Higher Education – Business and Community Interaction (HE-BCI) Survey] reveals an interesting contrast. **While interaction levels have dipped, the value per interaction has grown, primarily due to a lesser decline in income from these interactions.** It's important to highlight that while HE-BCI mainly tracks formal interactions like contract research, consultancy services, and the utilisation of facilities and equipment, the spectrum of collaboration extends further. Following years of steady growth, only briefly and partially interrupted by the Covid-19 pandemic, the number of interactions between universities and businesses dropped by 5% in 2022/23 from 80,881 interactions in 2021/22 to 76,619 between August 2022 and the end of July 2023. This decline was accompanied by a slight decrease in real income (0.9%).

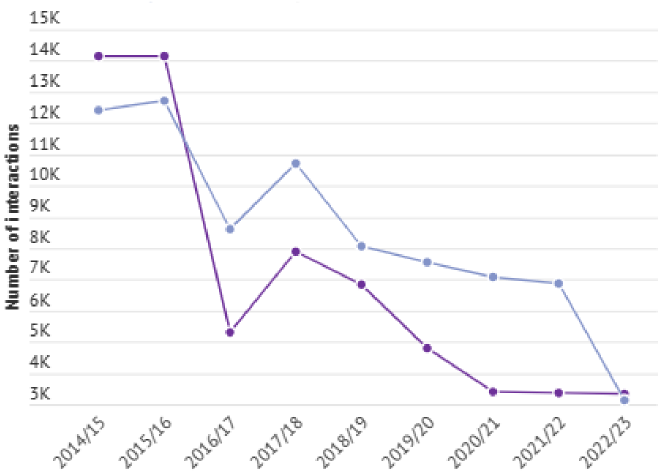
Regional Disparities and Brighter Income Picture

The impact isn't uniform across the UK. Universities in the South East, South West, London, North East, and Wales saw increased numbers of interactions, while others experienced a decline. However, when we look at income, a more positive picture emerges. Most English regions (except the **West Midlands**, Yorkshire and the Humber, and the South East with declines exceeding 10%) and all UK nations saw growth, highlighting regional disparities, but also suggesting a potential for resilience and adaptation in many places.

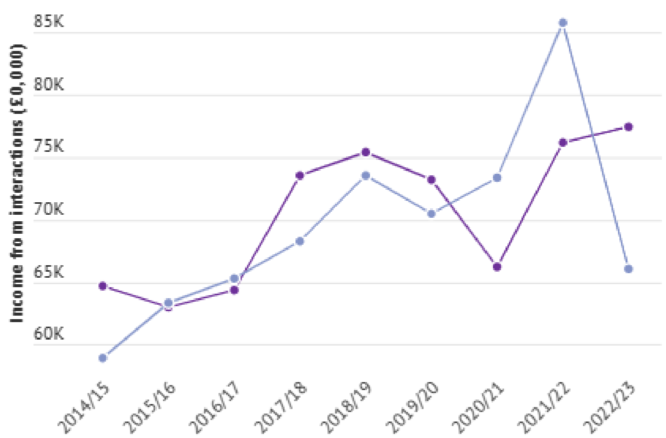
East Midlands
West Midlands

University-business interactions:

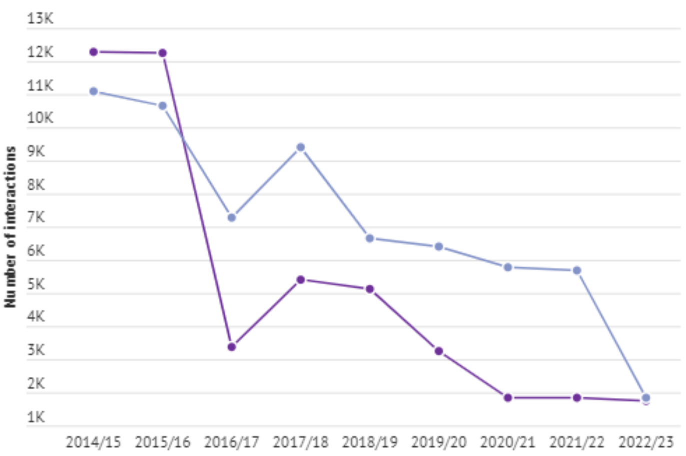
Total interactions:



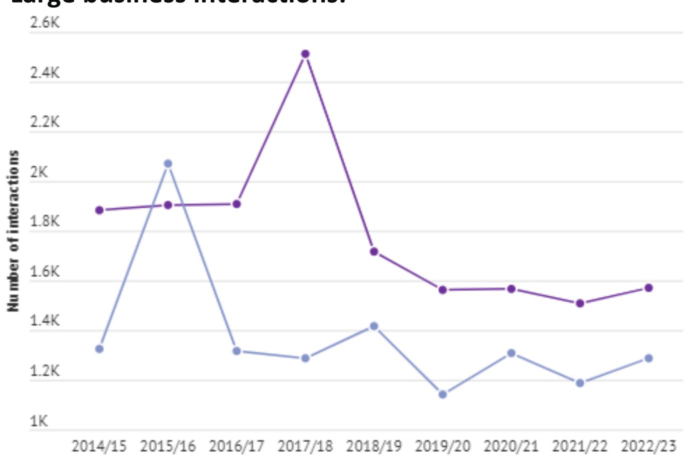
Income from interactions:



SME interactions:



Large business interactions:



Source: NCUB (2024), based on data from the Higher Education Business & Community Interaction (HEBCI)- HESA (2024). SME interactions for the period covering 2016/17 to 2018/19 have been recalibrated to reflect a process review held by the University of Liverpool in 2020 to ensure their HE-BCI data is robust. For recalibration the regional GDP growth rates were use to backfill data on interactions between the University of Liverpool and SMEs for the year 2016/17 to 2018/19. The information contain in these charts is subject to change ad

The report states that several factors likely contributed to the decline in the number of interactions: lingering pandemic effects, economic headwinds, funding stream losses (e.g. ERDF), and current financial pressures on universities hinder collaboration efforts. Despite the decline in interactions, **the data underscores the importance of university-business collaboration for the UK's economic growth.** Close monitoring of these trends and addressing the financial challenges universities face are critical steps. Stakeholders, including policymakers and industry leaders, need to prioritise initiatives that support and strengthen university-business collaboration.

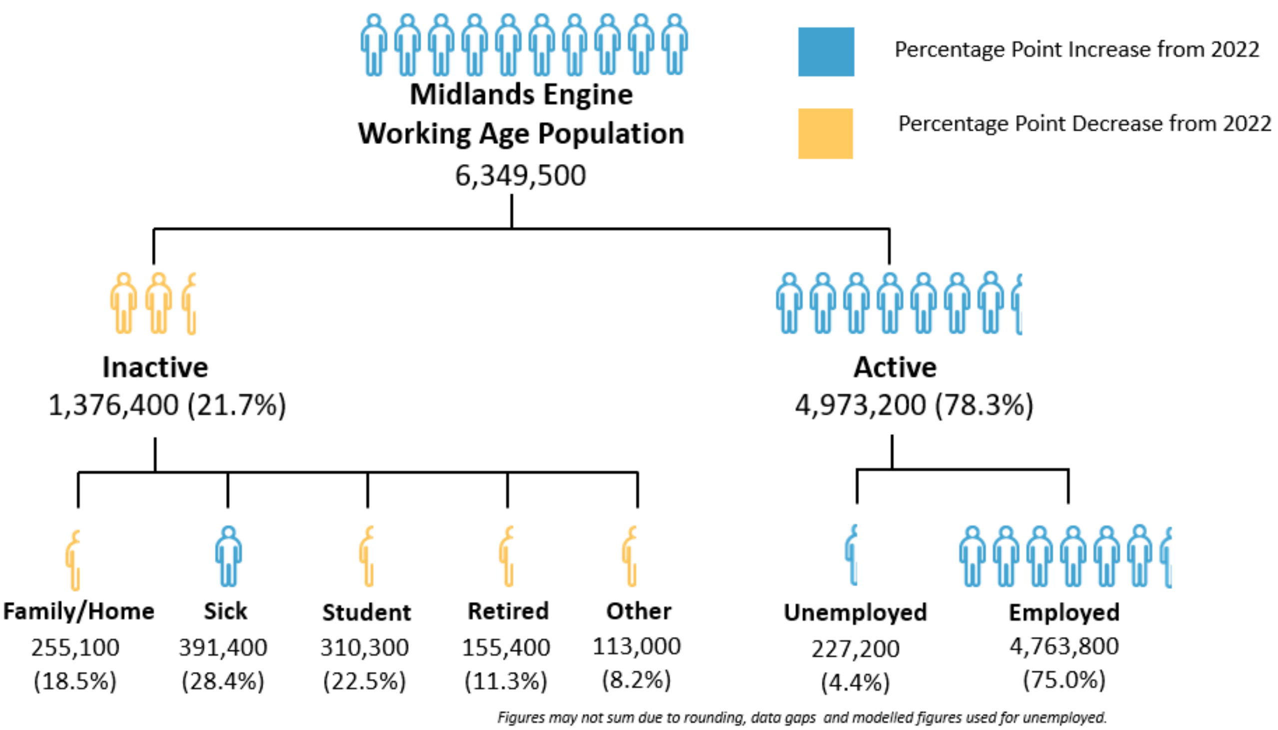
2. Labour Market and Skills

Economic Activity

The latest data (full year 2023) from the Office for National Statistics (ONS) Annual Population Survey (APS) that was released in April 20224 shows:

- In 2023, the **employment rate in the Midlands Engine area was 75.0%,** compared to 75.7% for the UK overall. When compared to 2022, the Midlands Engine area **increased by 0.9 percentage points (pp)** and the UK overall increased by 0.2pp. For the Midlands Engine area **to reach national proportions requires 44,074 working age residents to be employed.**
  - Within the Midlands Engine, 41 local authority areas have employment rates that were above the UK average. Since 2021, the employment rate in 36 of the Midlands Engine local authorities increased.
- The **economic activity rate for the Midlands Engine area was 78.3%** compared to 78.7% for the UK in 2023. For the Midlands Engine area, **the economic activity rate has increased by 1.1pp** since 2022. The UK increased by 0.4pp. For the Midlands Engine area **to reach national proportions requires 22,392 working age residents to be economically active.**
  - Within the Midlands Engine, 40 local authority areas have economically active rates that were the same or above the UK average. Since 2022, the economic activity rate in 41 of the Midlands Engine local authorities increased.
- **For economic inactivity, the Midlands Engine rate was 21.7%** compared to 21.3% for the UK overall in 2023. Since 2022, for the Midlands Engine area, this **decreased by 1.1pp** while the UK decreased by 0.4pp.
  - Although, as seen below, within economic inactivity **those broadly classed as sick had an annual increase (+1.9pp).**
  - In 2023, the Midlands Engine had no categories that were a **higher percentage of residents that were inactive when compared to the UK, although within sick, long-term sick was above the national average** (27.7% compared to 27.5%).
- The **modelled unemployment rate for the Midlands Engine was 4.4%** compared to 3.7% for England in 2023. For the Midlands Engine, this is an **increase of 0.5pp** whereas nationally this increased by 0.1pp.

Labour Market Activity for the Midlands Engine in 2023:



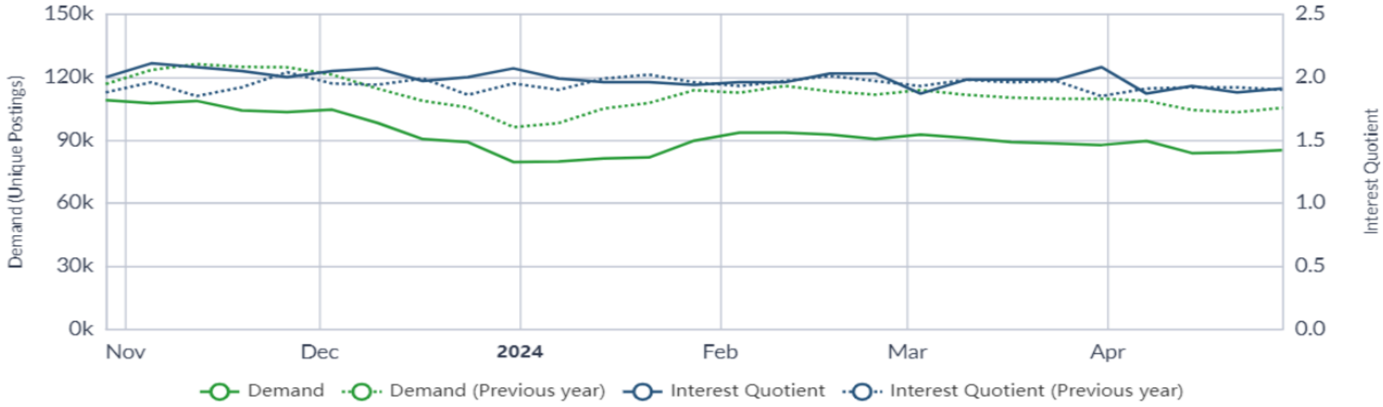
Due to data gaps, modelled unemployment rate has been used. The model-based estimate improves on the APS unemployment estimate by borrowing strength from the claimant count to produce an estimate that is more precise. The claimant count is not itself a measure of unemployment but is strongly correlated with unemployment. The gain in precision is greatest for areas with smaller sample sizes. Modelled unemployment rate is based on all people aged 16+ without a job who were available to start work in the two weeks following their interview and who had either looked for work in the four weeks prior to interview or were waiting to start a job they had already obtained.

Labour Market and Job Postings

The ONS report that **recent trends of falling vacancy numbers and slowing earnings growth have continued this month albeit at a reduced pace.** With the rate of inflation also slowing, real earnings growth has increased and is now at its highest rate in nearly two and a half years. At the same time, **there are tentative signs that the jobs market is beginning to cool,** with both a fall in the headline employment rate and a drop in the total number of people on payrolls. However, ONS recommend caution when looking at the size of the fall in headline employment (lower sample sizes mean there is greater volatility in quarterly changes than was the case).

The latest job postings data shows that the **number of postings across the Midlands dropped 21.7% over the last six months to 783,679**. Despite employer demand narrowing, those seeking work - wanting a job, currently remains heightened (2.0 Interest Quotient).

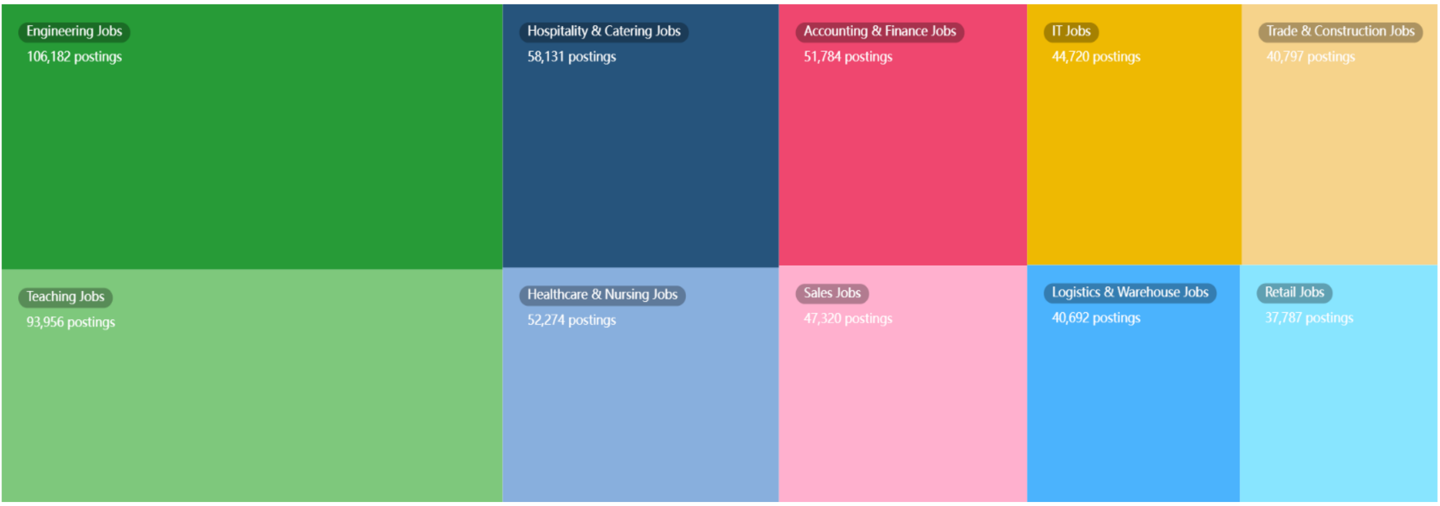
Overall Demand and Interest for the Midlands:



The **advertised median salary across the Midlands has increased by 10.4%** year-on-year to £32,860 per year.

Salary Trends for the Midlands:

Sectors Hiring in the Midlands:



Job posting demand was greatest for roles in engineering, teaching and hospitality & catering. These sectors accounted for 33.0% of all job postings in the last six months.

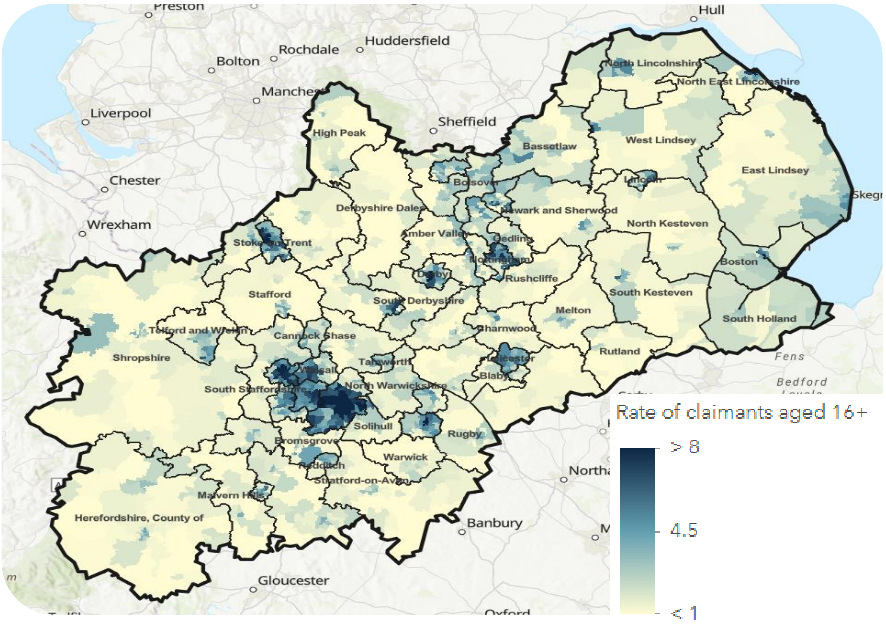
Source: Adzuna Limited Job Posting Intelligence, Accessed Apr 2024. The Interest Quotient uses jobseeker data to quantify the level of interest in particular roles.

Labour Market Impacts: Claimants

There were **285,380 claimants aged 16 years and over** in the Midlands Engine area in March 2024, an increase of 6,250 claimants (+2.2%, UK +1.9%) since the previous month. **There are 63,840 more claimants (+28.8%, UK +28.2%) when compared to March 2020**. East Lindsey and North East Lincolnshire have lower levels of claimants now than in March 2020 (-455 and -80 respectively).

The number of claimants as a percentage of residents aged 16 years and over was 3.4% in the Midlands Engine and 3.0% for the UK in March 2024.

Claimants as a Percentage of Residents Aged 16 Years and Over in March 2024:



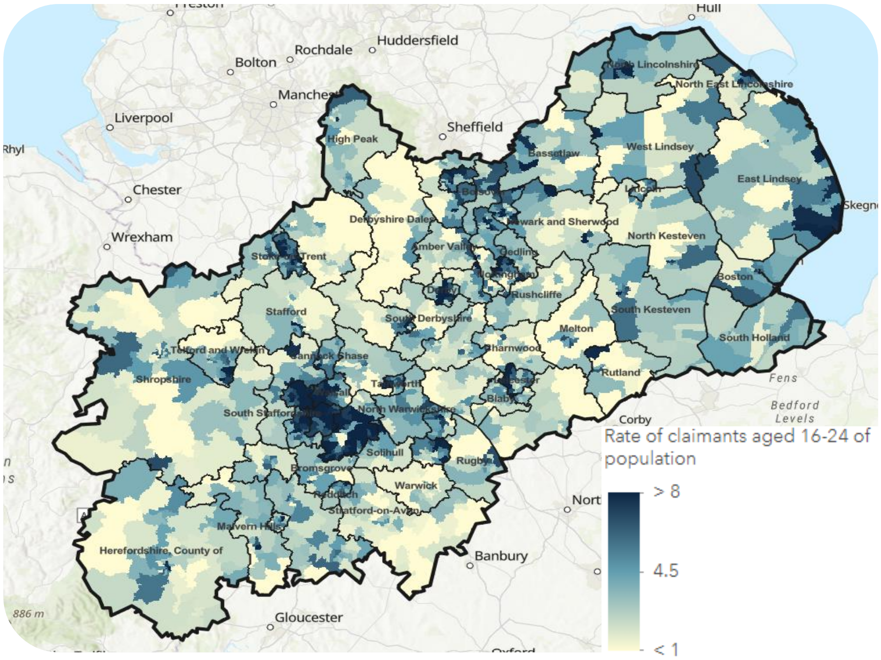
Out of the 1,511 wards within the Midlands Engine, 453 were at or above the UK average of 3.0% for the number of claimants as a percentage of the population aged 16 years and over in March 2024.

The wards with the highest number of claimants as a percentage of the population were based in Birmingham, with Lozells and Handsworth highest at 16.7% and 16.3% respectively. In contrast, the lowest proportion was in Keele (Newcastle-Under-Lyme) and Ashby Castle (North West Leicestershire), both at 0.2%.

There were **55,500 claimants aged 16-24 years old** in the Midlands Engine area in March 2024 – an increase of 1,210 youth claimants since February 2024. This equated to an increase of 2.2%, with the UK increasing by 2.1%. Since March 2020, **the number of youth claimants has increased by 11,305** (+25.6%, UK +20.2%). There were 5 local authorities in the Midlands Engine that had lower levels than March 2020 and a further 1 that was the same level.

The number of claimants as a percentage of residents aged between 16-24 years old was 4.9% in the Midlands Engine and 4.1% for the UK in March 2024.

Claimants as a Percentage of Residents Aged 16-24 Years in March 2024:



Out of the 1,511 wards within the Midlands Engine, 632 were at or above the UK average of 4.1% for the number of claimants as a percentage of the population aged 16–24 years and over in March 2024.

The ward with the highest number of claimants as a percentage of the population was Handsworth (Birmingham) at 17.0%, followed by Joiner's Square (Stoke-on-Trent) at 16.0% and Portland (Mansfield) at 14.9%. In contrast, within the Midlands Engine there were 90 wards with no youth claimants in March 2024.

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

Source: ONS/ Department for Work and Pensions, April 2024.

Resolution Foundation Labour Market Outlook

The [Resolution Foundation Labour Market Outlook Quarterly Briefing for Q2 2024](), dives into the minimum wage. **Key findings include:**

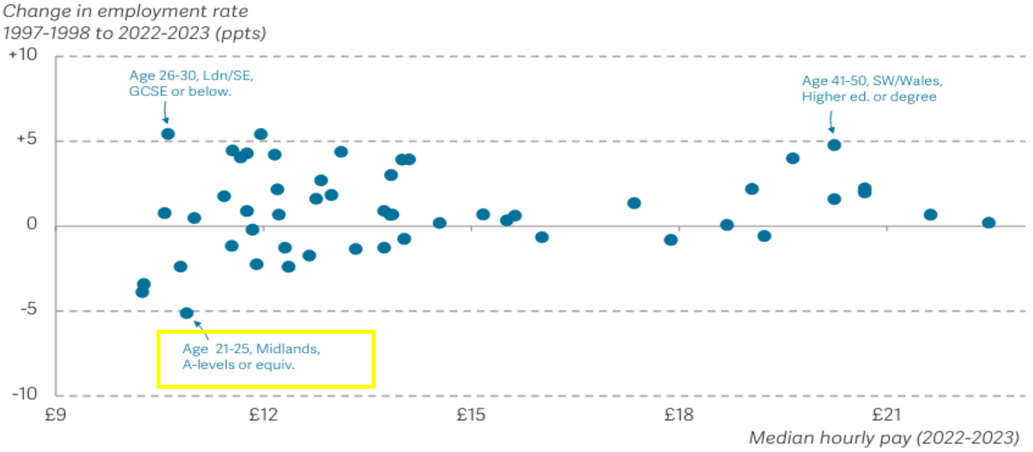
This year's minimum wage uprating is large: **roughly 1.6 million workers stand to benefit directly on 1st April when the adult rate rises to £11.44 – giving a cash increase of 9.8% and a real terms increase of 7.8%.** These are the third largest annual increases in the minimum wage's history. The 1st April is also a landmark day, as the minimum wage turns 25 years old. Initially introduced at a conservative £3.60 per hour – a low-to-middling level compared to the minimum wage in other countries – **the UK's minimum wage is now one of the highest in the world.**

Over successive governments, **this policy ambition has transformed the shape of pay growth (since 1998, real-terms growth in hourly pay has been five-times faster at the 10th percentile than at the 90th) and has boosted pay in the UK's lowest-paid jobs** (median hourly pay among bar staff and cleaners in 2023 was 66 and 52 per cent higher than in 1998 in real terms, respectively, compared to 19% real-terms growth in median hourly pay across the economy as a whole). In total, a full-time minimum wage earner today earns £6,000 more per year compared to a world in which the minimum wage had only risen in line with typical wages. There is now a question about what comes next, as neither main political party has a clear policy for the minimum wage after 2025. The report states that whoever wins the next election, it is important that long-neglected areas of employment policy in the UK (such as the generosity of Statutory Sick Pay) start to receive more attention.

Regional Insights:

There is little relationship between hourly pay level and the change in employment over the past 25 years across groups when broken down by age, skill and qualification level.

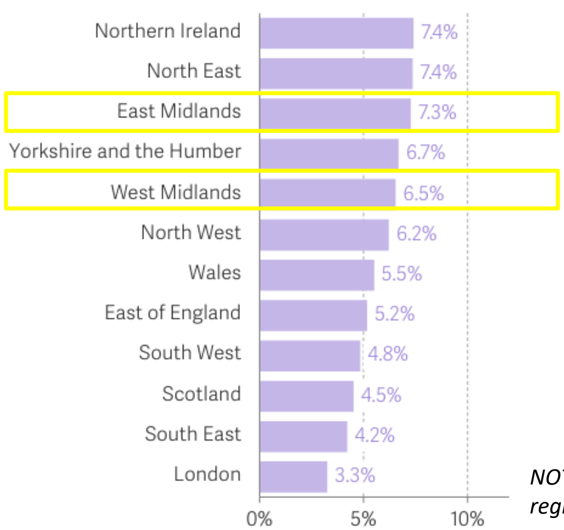
Change in employment rate (excl. full-time students) from 1997-1998 and 2022-2023, and median hourly pay, 2022-2023, by age-region-qualification groups: UK, adults aged 21-60 years:



NOTES: Groups plotted are all the combinations of age (groups: 21-25, 26-30, 31-45, 46-60), region (groups: North, Midlands, London and South East and East, South West and Wales, Scotland and Northern Ireland), and qualification level (groups: higher education or degree, A-level or equivalent, GCSE or below or none). Groups with sample size below 100 dropped.

Idea for chart taken from 2016 presentation given by Alan Manning. SOURCE: RF analysis of ONS, Labour Force Survey.

Coverage of the NMW/NLW for employees aged 16+, 2023:



Data from the [Low Pay Commission's annual report]() shows the variation in minimum wage coverage across the country in 2023. In Northern Ireland, the North East of England and the **East Midlands, more than 7% of workers were paid at the wage floor** – whereas in London, that was the case for less than half that share (3.3%).

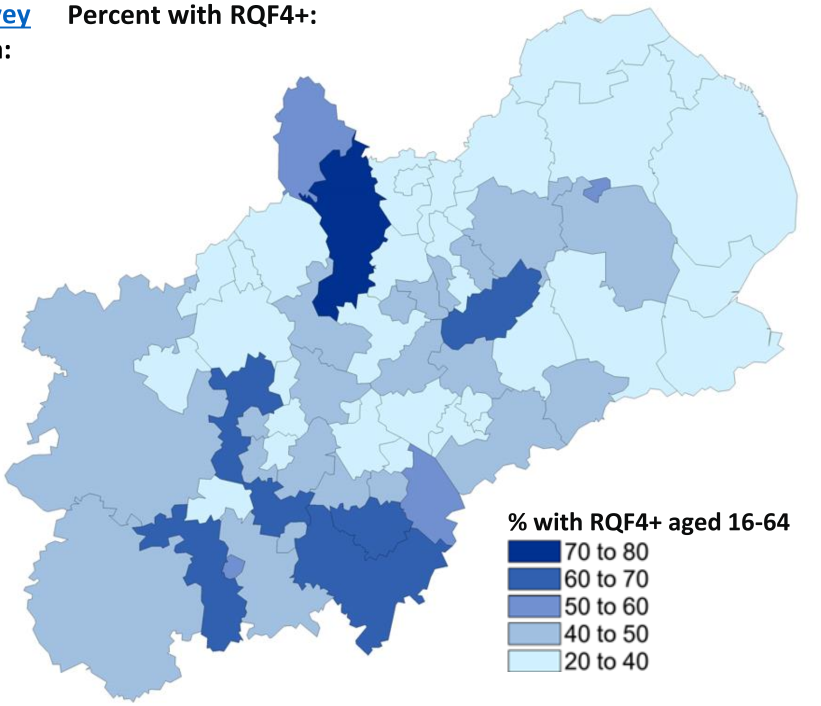
NOTES: Jobs classified by location of workplace. SOURCE: LPC, 2023 local authority and region and nation coverage data

Midlands Engine Area Qualification Profile

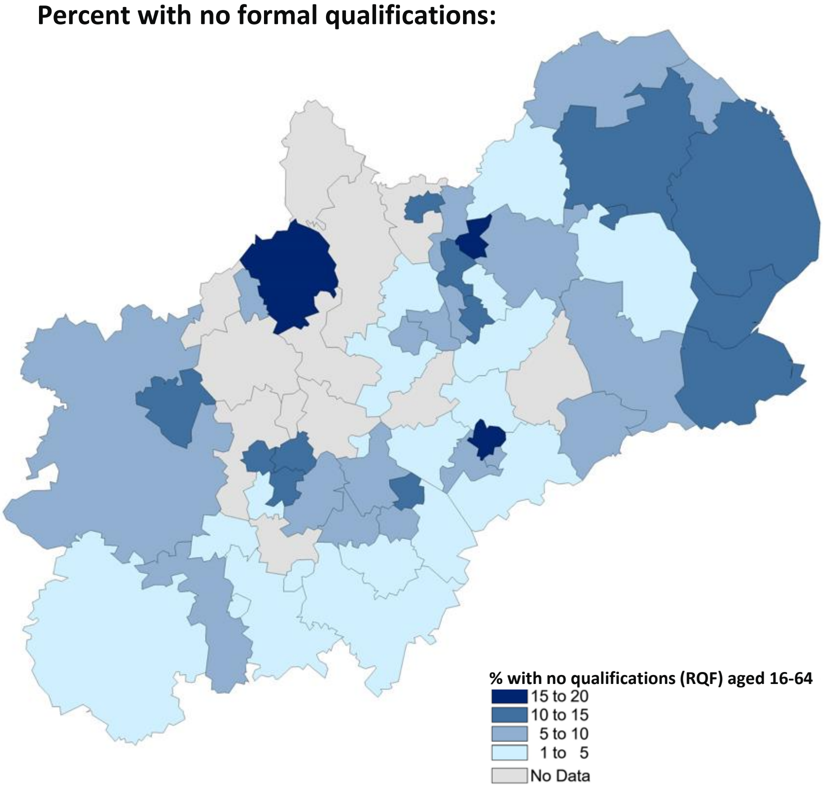
Figures from the ONS, Annual Population Survey shows the following for the Midlands Engine area:

- **41.5% (just over 2.55m) of working age residents in the Midlands Engine area were educated to RQF 4+ levels compared to 47.1% UK-wide in 2023.** Since 2022, this was an increase of 8.5% (+201,000) which was above the national increase of 5.9%. Despite this improvement, a **further 345,411 of the working age Midlands Engine residents are required to obtain an RQF 4+ qualifications to equal the UK average.**
- **Approximately 7.3% (447,500) of working age residents in the Midlands Engine area had no formal** qualifications compared to 6.6% UK-wide in 2023. Since 2022, this was a decrease of 2.9% (-13,500) which matched the UK rate. **To eradicate the gap with the UK average, 38,808 of the working age Midlands Engine residents are needed to obtain at least one qualification.**
- **21.5% (just over 1.32m) of working age residents in the Midlands Engine area were educated to RQF 3 levels compared to 20.6% UK-wide in 2023.** Since 2022, this was a decrease of 2.5% (-33,500) for the Midlands Engine (UK -0.1%).
- **21.3% (just over 1.31m) of working age residents in the Midlands Engine area were educated to RQF 2 levels compared to 18.7% UK-wide in 2023.** Since 2022, this was an increase of 2.6% (+33,300) for the Midlands Engine (UK +1.1%).
- **Approximately 2.7% (165,700) of working age residents in the Midlands Engine area were educated to RQF 1 levels compared to 2.4% UK-wide in 2023.** Since 2022, this was a decrease of 4.4% (-7,600) for the Midlands Engine (UK -6.4%).
- **Approximately 4.4% (269,500) of working age residents in the Midlands Engine area had other qualifications compared to 4.5% UK-wide in 2023.** Since 2022, this was a decrease of 18.1% (-59,600) for the Midlands Engine (UK: -1.4%).

Percent with RQF4+:



Percent with no formal qualifications:



Qualifications Summary:

	Midlands Engine 2022		Midlands Engine 2023		UK 2023	Midlands Engine Change 2022-2023	UK Change 2022-2023	Midlands Engine Gap to UK
RQF 4+	2,352,200	39.3%	2,553,200	41.5%	47.1%	8.5%	5.9%	345,411
RQF 3 Only	1,355,900	22.6%	1,322,400	21.5%	20.6%	-2.5%	-0.1%	Above UK
RQF 2 Only	1,278,200	21.3%	1,311,500	21.3%	18.7%	2.6%	1.1%	Above UK
RQF 1 Only	173,300	2.9%	165,700	2.7%	2.4%	-4.4%	-6.4%	Above UK
Other Qualifications	329,100	5.5%	269,500	4.4%	4.5%	-18.1%	-1.4%	9,223
No Qualifications	461,000	7.7%	447,500	7.3%	6.6%	-2.9%	-2.9%	-38,808

Geographical Mobility of Young People Across English Towns and Cities

A recent release from the Office for National Statistics (ONS) looks at Cohort analysis using the Longitudinal Education Outcomes dataset exploring the link between education attainment and geographical mobility of young people between 2007 and 2019. This page summarises the findings of the cohort analysis.

Graduate Shares in Towns and Cities

Inner and Outer London areas have the highest number of graduates as a share of its cohort population, at 39% and 42%, respectively. **Young people living in small towns when they completed Key Stage 4 are more likely to achieve a graduate-level degree than those living in large towns or cities - smaller built-up areas also produce a higher share of graduates.** The highest variation in the share of graduates was found within small towns, ranging from as low as 9% to towns with over 70% such as **Duffield (Derbyshire)**. It was mostly small and medium towns that had the highest shares of graduates; only two large towns (including **Sutton Coldfield**) had more than 50% of pupils who became graduates. **Pupils living in less deprived towns were more likely to obtain a graduate degree qualification compared with pupils from higher deprived towns.** Those from large towns or cities are more likely to obtain a graduate-level degree than those from medium towns and small towns. The number of towns and cities that attracted a large number of graduates from other places is relatively small, with only 26 out of over 1,000 English towns and cities having an inward-migration rate of more than 30%.

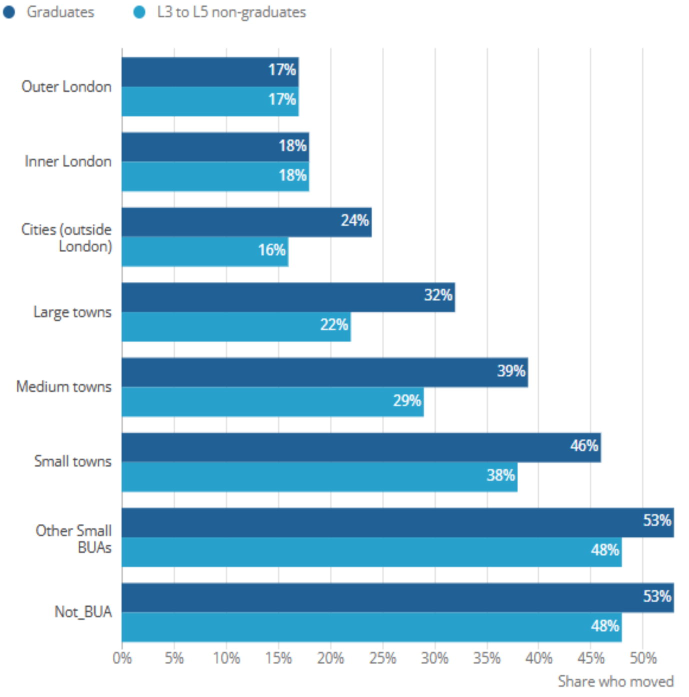
Graduates Mobility Patterns

On average, towns and cities in England have retained more than half of their young people who obtained a graduate-level qualification. The share of graduates still living in the same place in 2018 to 2019 was highest in London and in other large cities. In contrast, **graduates from small towns, other small built-up areas and rural areas after moving to university, are more likely to move somewhere else than graduates from larger towns and cities.** The places with the highest proportions of graduates from the overall cohort, measured relative to the size of their initial GCSE cohorts, were either major cities, towns near cities (like **Beeston**) or prosperous university towns and cities.

Geographic Destinations of Movers

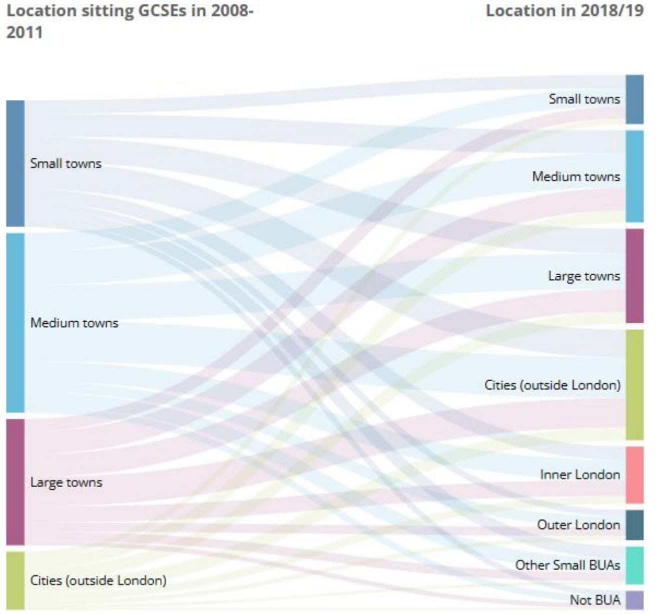
Graduates who moved from small and medium towns that are more remote are less likely to stay in the same travel to work area or region. Of those from the 2008 to 2011 GCSE cohorts, 36% of graduates and 29% of non-graduates who achieved at least a level 3 qualification were living in a different area in the 2018 to 2019 tax year, from where they were living when they completed compulsory school. The likelihood of moving to a different area was much higher for graduates who came from rural areas and small towns than for graduates who came from large towns or cities.

Share of graduates and level 3 (L3) to level 5 (L5) non-graduates, from the 2008 to 2011 GCSE cohort, who were no longer living in the same place where they sat their GCSEs in the tax year 2018 to 2019, by area type:



Source: Office for National Statistics (ONS) analysis using Longitudinal Education Outcomes (LEO) from the Department for Education (DfE)

Flows of graduates from selected type of place where they sat their GCSEs, to type of place they were living in the tax year 2018 to 2019:



Source: Office for National Statistics (ONS) analysis using Longitudinal Education Outcomes (LEO) from the Department for Education (DfE)

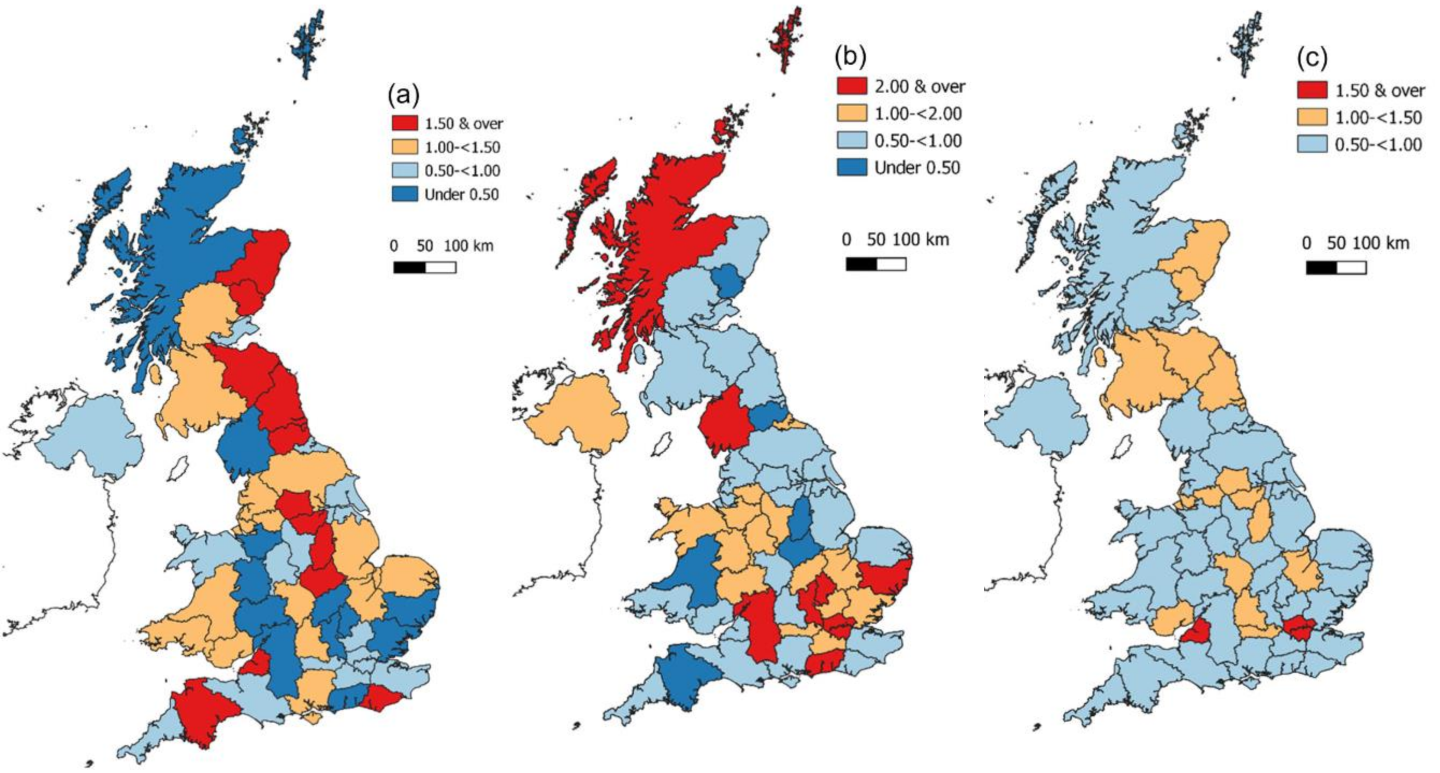
The most popular destinations are cities for graduates, and medium towns for L3 to L5 non-graduates.

The Impact of University-Related Migration on UK's Subregions and Policy Roadmap

The research article that looks at addressing the divide: The impact of university-related migration on UK's subregions and policy roadmap reveals **significant differences in migration outcomes among students and graduates across the UK.** London, for example, benefits disproportionately from a substantial influx of graduates, with a ratio of 1.72 for post-university workplace numbers of graduates relative to pre-university ("domicile") numbers. **Importantly, a greater number of subregions suffer from a "double whammy" effect, as they experience losses in both numerical and qualitative measures, compared to those that benefit from net gains through university-related migration.** Overall, only 17 out of the 53 UK subregions see net gains in numbers from this "going away to university" process. Many such "net gainers" include major cities and/or national capitals that naturally attract young talent.

In contrast, areas like the Highlands & Islands, Suffolk, Cornwall, **Shropshire**, and Cumbria (among others) **face challenges in retaining their student populations**. They experience significant net losses. Furthermore, the study identifies subregions that exhibit relatively unique migration patterns**. For instance, Nottinghamshire and Bristol demonstrate a capacity to attract a considerable number of students from outside the area (who relocate there for their studies), likely due to their attractive university options.** Meanwhile, the reliance on "home-grown" graduates in Glasgow and Northern Ireland provides a different picture and highlights the importance of strategies that both retain local talent and entice newcomers.

Net change in student/graduate numbers for 53 subregions: (a) University number as ratio of Domicile number. (b) Workplace number as ratio of University number. (c) Workplace number as ratio of Domicile number:



The research states that to boost the appeal of rural and peripheral areas to students and graduates, a comprehensive strategy is essential. Moreover, creating a supportive ecosystem for lifelong learning and professional development would likely help peripheral rural areas keep their local talent and draw graduates from elsewhere. In a similar vein, stronger collaborations among universities, businesses, and local governments are imperative. Investing in science and technology infrastructure would be beneficial, especially for subregions losing highly skilled individuals. Again, a close cooperation among regional/local authorities, educational institutions, and the private sector is vital, as it would probably ensure strategic and effective investment.

The thorough analysis in the aforementioned study not only highlights the varied geographical effects of migration related to higher education but also offers recommendations for policymakers. By adopting targeted policy interventions, the UK can address subregional disparities effectively. These policies should aim to improve local education, innovation capabilities, and employment opportunities. Additionally, aligning university curricula with employer needs and investing in infrastructure are key steps. Such efforts are not just economic policies – they are crucial for achieving the broader goal of levelling up the country and addressing social inequalities.

Solving the UK's Skills Shortage

New Economic Foundation (NEF) have released a report which looks how a **national skilling wage would future-proof the economy. The UK is facing a skills shortage and a productivity problem. A key driver of this stagnation has been the decline in both state and private sector investment in skills. Alongside austerity-era cuts to state spending on adult education, total employer investment in skills declined 19% per employee, in real terms, between 2011 and 2022**, with sharper declines in larger businesses (-35%), primary (-44%), and public (-38%) service sectors, as well as the North East (-27%) and South West of England (-32%). While the support available to workers wishing to upskill has rolled back, the wider economic context has made participation harder. **The high cost of living, matched by the proliferation of low-security work, means few workers can embrace the risk presented by mid-career upskilling. An under-equipped workforce leaves businesses heavily reliant on migration to fill surging rates of skills-shortage vacancies.**

Facing significant international competition in emerging green industries and an urgent need to decarbonise the economy, the study identifies two key areas in which the UK lags behind its international competitors in supporting large-scale upskilling. The first, in providing adequate support to workers with the subsistence costs of upskilling and an upskilling offer sufficient to persuade workers with financial and caring responsibilities to engage. The second, in providing incentives which de-risk skills investment for businesses against the backdrop of high-frequency job switching.

The government is at a key stage in designing the next generation of upskilling support: the Lifelong Learning Entitlement. A process is underway to reform the student finance system into something more akin to a personal/individual learning account. In this working paper, NEF propose, and seek feedback on, the introduction of a new overarching principle of the government's upskilling offer. The proposed framework is based on a simple commitment to a National Skilling Wage (NSW). Important both for the message it sends, and its potential to boost productivity, **the NSW would provide workers and businesses with the financial stability, and confidence, to commit to (re)training**. NEF propose a role for the NSW in supporting both those in and out-of-work, upskilling via two core reforms to the government's support for upskilling:

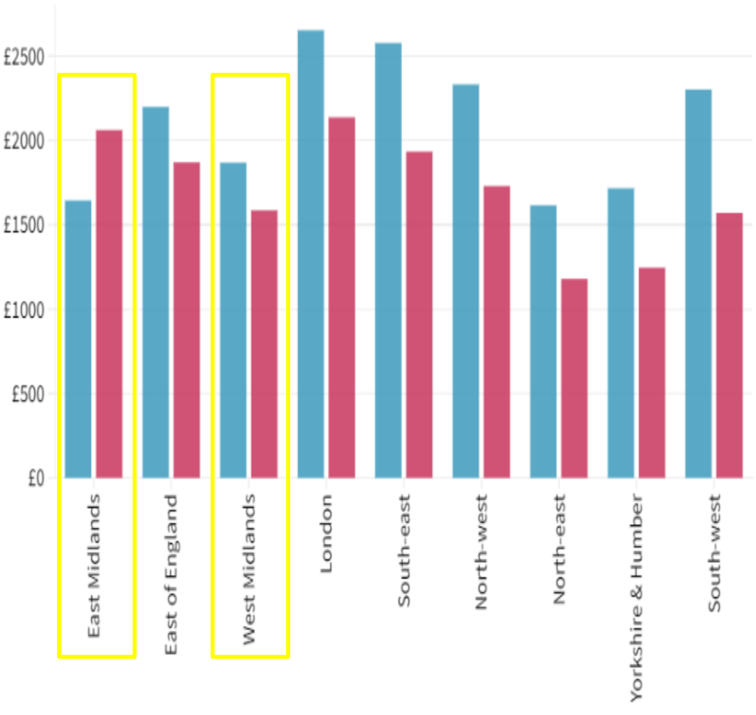
- Switching state support from corporation tax relief to a payroll tax credit at the National Skilling Wage.
- Reforming student finance into a Personal Learning Account which pays the National Skilling Wage.

A key priority of New Economic Foundation's proposed policies is to de-risk skills investment for both the business and the individual. This should include individuals who are unemployed and/or in receipt of means-tested benefits. The NSW should also benefit this group, but further work is required to understand how these reforms would interact with the benefits system.

Alongside the proposed reforms they consider issues of state costs and revenue raising. They first consider the potential for the government to apply an additional charge to employers' national insurance on the trained worker in the months following completion of their training course. This charge, illustratively representing 50% of the total hourly tax credit, could mean businesses partially repay the state support received. We also consider revenue-raising options such as widening the uses of the apprenticeship levy funds, replacing corporation tax relief on skills investment, and clawing back the productivity gains which will result from boosted skills investment via corporation tax.

As seen in the graph below, the East Midlands stands out as the only region to have seen a real-terms increase (+25%).

Investment in training per employee in 2011 and 2022 (in 2022 prices):



Source: NEF analysis of the Employer Skills Survey 2022

3. Business Environment

Business Activity

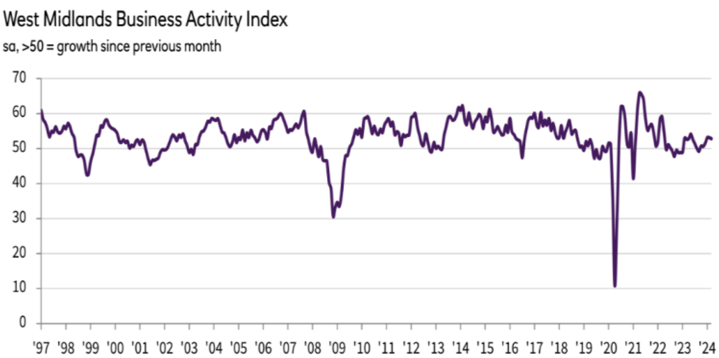
Business Activity Index

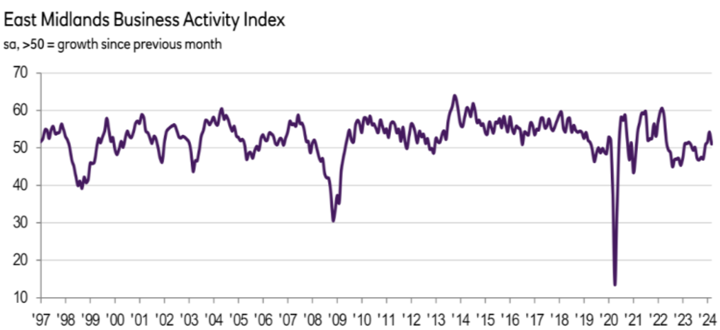
The West Midlands Business Activity Index decreased from 53.1 in February 2024 to 52.8 in March 2024. This reading still indicates an increase in business activity but was restricted due to fading demand.

The East Midlands Business Activity Index decreased from 54.2 in February 2024 to 51.0 in March 2024. There was still an increase in business activity but was the slowest growth seen in the last three months due to subdued demand conditions and a weaker rise in new orders.

The UK Business Activity Index decreased from 53.0 in February 2024 to 52.8 in March 2024.

Business Activity Index Trends:





Source: NatWest UK PMI, April 2024

Demand

The West Midlands New Business Index decreased from 50.9 in February 2024 to 50.2 in March 2024. Despite the fall, this is the 14th consecutive month of growth but firms reported weaker demand conditions. **The East Midlands New Business Index decreased from 52.8 in February 2024 to 50.2 in March 2024,** the third consecutive month of growth. However, growth was restricted due to the cost of living putting pressure on customer purchasing power. For both regions, readings are edging closer to the 50 no-change mark.

Exports

The West Midlands Export Climate Index increased from 51.3 in February 2024 to 51.5 in March 2024. The East Midlands Export Climate Index increased from 51.4 in February 2024 to 51.7 in March 2024. For both regions, these are the most favourable conditions since May 2023.

Business Capacity

The West Midlands Employment Index decreased from 49.0 in February 2024 to 47.4 in March 2024, a second consecutive decrease and the fastest contraction in over three years. **The East Midlands Employment Index increased 49.0 in February 2024 from 49.3 in March 2024**, although the latest reading still indicators a contraction in staffing numbers.

The West Midlands Outstanding Business Index decreased from 47.7 in February 2024 to 47.5 in March 2024. Firms reported that efficiency gains supported the latest drop. **The East Midlands Outstanding Business Index decreased from 47.5 in February 2024 to 46.9 in March 2024**, the contraction period now extends to 18 months. Firms reported that incoming work was processed quicker due to subdued new orders.

Prices

The West Midlands Input Prices Index decreased from 61.3 in February 2024 to 60.4 in March 2024. Despite the fall, firms still reported a rise in overall expenses. The hikes were linked to input shortages and disruptions in the Red Sea. **The East Midlands Input Prices Index decreased from 63.1 in February 2024 to 62.4 in March 2024.** Despite the fall, higher cost burdens were still reported due to greater raw material prices and shipping surcharges from the re-routing of supply chains away from the Red Sea.

The West Midlands Prices Charged Index decreased from 57.2 in February 2024 to 56.2 in March 2024. The East Midlands Prices Charged Index decreased from 56.8 in February 2024 to 56.4 in March 2024. For both regions, despite the fall, the overall rate of inflation remains elevated.

Outlook

The West Midlands Future Business Activity Index increased from 76.8 in February 2024 to 79.7 in March 2024, the latest reading was the highest seen in 26 months. Optimism was linked to new clients, expansion plans, advertising and investment.

The East Midlands Future Activity Index decreased from 76.0 in February 2024 to 70.3 in March 2024. Despite the fall, firms remained optimistic for the upcoming 12 months due to the release of new products, hopes of stronger demand conditions and planned investment in marketing.

Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth lowest for the Future Business Activity Index in March 2024.

Source: NatWest: UK PMI report for March 2024, released April 2024.

Small Business Finance Markets

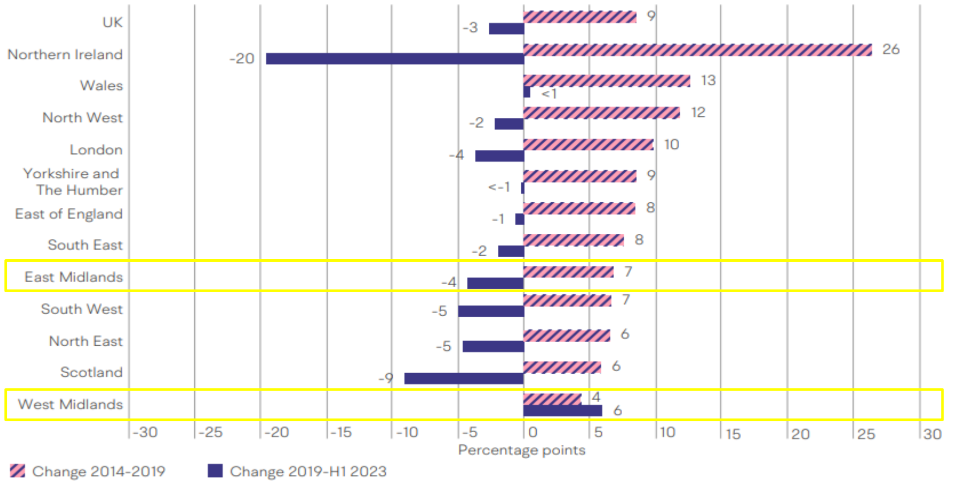
British Business Bank have released their annual Small Business Finance Markets report which provides a comprehensive and independent assessment of the funding landscape for smaller businesses. **Key national findings from the report include:**

- **The UK economy has experienced several economic shocks over the last decade**, but finance providers, together with government support, have helped smaller businesses.
- **The smaller business lending landscape has changed substantially over the last decade** with a greater range of debt finance providers than ever before.
- **UK equity finance markets have matured over the last decade**, becoming deeper with a greater range of investors able to support companies at all stages of their development.
- **There remain regional and place-based challenges in getting finance to many parts of the U**K, particularly equity finance.
- **Finance to female and Ethnic Minority businesses has changed little over the decade**, but recent initiatives are beginning to raise awareness of the issues.
- More recently, **there has been an increase in the flow of asset finance in 2023**, but other types of external finance have fallen including bank lending and equity finance, but these remain high compared to historical levels.

Regional Insights:

In 2019, all parts of the UK had higher external finance use levels than in 2014. However, as of H1 2023, only the West Midlands had seen a net increase on that measure since the last year before the Covid-19 pandemic. Seven of the 12 UK Nations and regions had seen a net decline over the same period, while the remaining five had seen no significant change (change greater than 2pp difference).

Net change in the proportion of smaller businesses using external finance:



Source: UK Finance BVA BDRC SME Finance Monitor Survey

Looking at regional trends in smaller business equity finance, London remains the region with the highest number of deals, though its share of UK deals fell from 52% in 2022 to 46% in 2023. The capital's share of investment remained almost flat at 58% in 2023, compared to 60% the year before. **On an annual basis the number of deals in Q1-Q3 2023 increased in only two of the English regions, the East Midlands and the West Midlands, with the former being the only region to experience an increase in both deal numbers and investment value.**

Number and value of announced equity deals:

Nations and English regions	Number of equity deals (Q1-Q3 2023)	Q1-Q3 2022-2023 % change number of deals	Deal proportion of UK total (Q1-Q3 2023)	Investment £m (Q1-Q3 2023)	Q1-Q3 2022-2023 % change investment value	Investment proportion of UK total (Q1-Q3 2023)
London	703	-35%	46%	3,768	-60%	58%
South East	160	-14%	11%	886	-28%	14%
Scotland	118	-24%	8%	295	-48%	5%
East of England	107	-27%	7%	554	-38%	9%
North West	88	-27%	6%	175	-64%	3%
South West	82	-33%	5%	187	-51%	3%
West Midlands	52	4%	3%	153	-23%	2%
Yorkshire and The Humber	49	-36%	3%	130	-42%	2%
Wales	48	-14%	3%	94	49%	1%
East Midlands	42	17%	3%	91	65%	1%
North East	37	-43%	2%	47	-69%	1%
Northern Ireland	16	-27%	1%	58	39%	1%
UK	**1,512**	**-29%**	**100%**	**6,452**	**-53%**	**100%**

Source: British Business Bank analysis of Beauhurst data

Store Openings and Closures

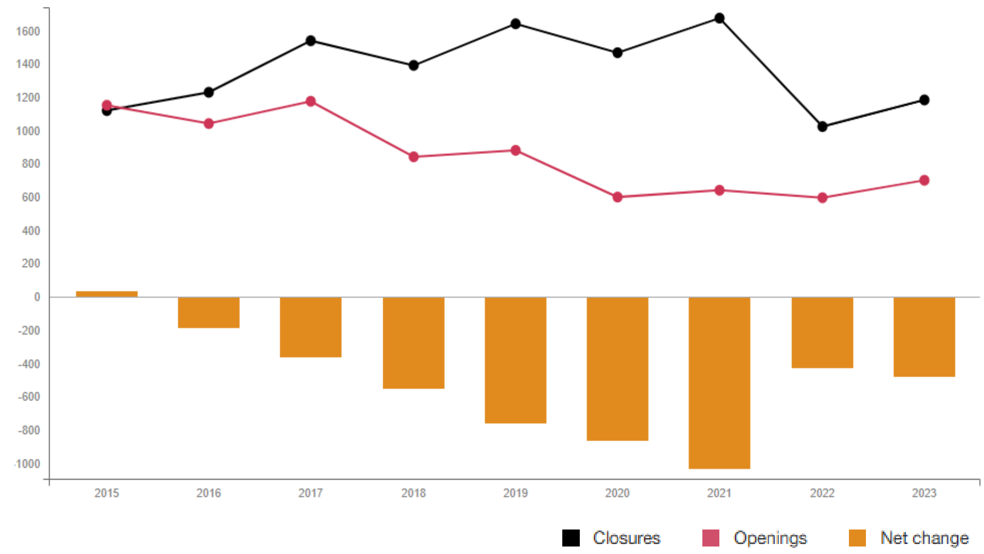
PWC have published analysis on [Store Openings and Closures]() for 2023. **Headline results show an acceleration in store closures as more chain stores exit the high street. However, they report that much of this is due to one-off failures, restructurings or administrations and there is optimism that this is unlikely to repeat in 2024.** Despite mixed results overall, there is positive news for leisure and retail parks again, while PWC reveal a long-term closures trend driven by the pull of online that is more a result of services rather than retail.

Nationally, a total of 14,081 shops and outlets belonging to multiples and chains (those with five or more outlets) exited UK high streets, shopping centres and retail parks in 2023. **Equivalent to 39 closures per day**, it's a slight increase compared with last year although less than 2016-21. It's also a slight increase in net closures (equivalent to 14 a day) but remains better than 2018-21. **Encouragingly, openings are up for the fourth year in a row. But the moderate increase (to 25 per day) is not enough to offset the greater number of closures.**

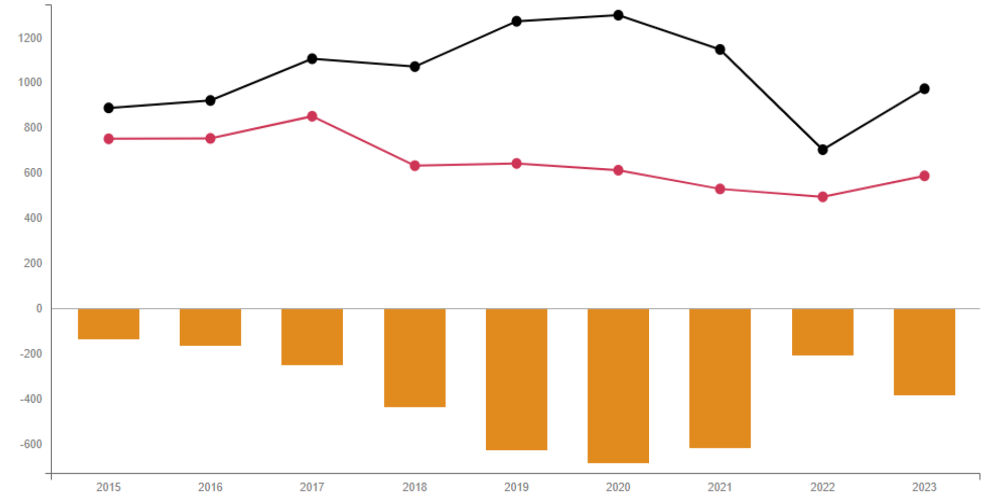
For the **West Midlands** in 2023, there were **1,184 closures** (up from 1,024 in 2022) and **701 openings** (up from 596 in 2022), leading to a **negative net change of 483** (up from -428).

For the **East Midlands** in 2023, there were **972 closures** (up from 702 in 2022) and **586 openings** (up from 493 in 2022), leading to a **negative net change of 386** (up from -209).

West Midlands openings and closures by year:

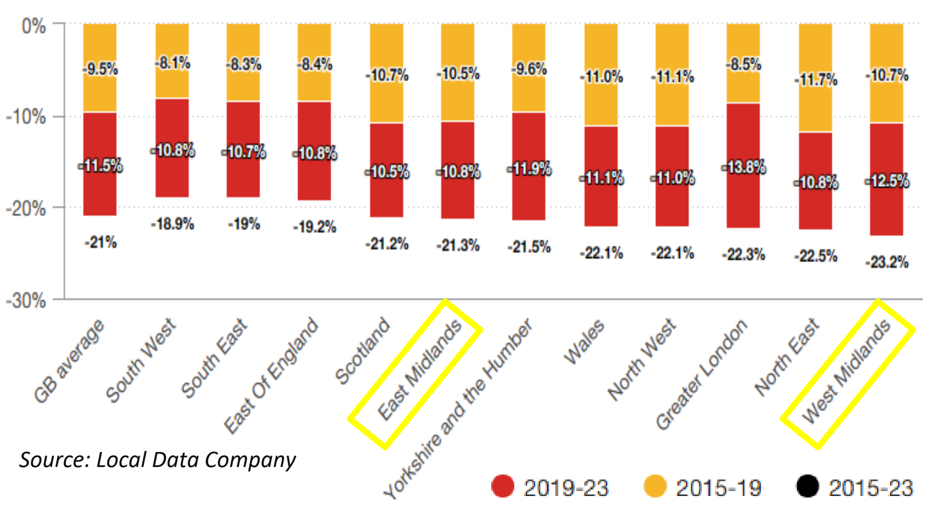


East Midlands openings and closures by year:



Source: Local Data Company

Chain outlet net change:



Source: Local Data Company

This year's stabilisation corrected a longer-term trend of bigger variance and disparity across regions, originally caused by a shift towards cities pre-pandemic, which then reversed during the pandemic as a result of new consumer behaviours such as the working from home trend. Looking at the long run decline since 2015, every region of the country is within 2 percentage points of the national average.

Local Business and Policy Intelligence By Sector

SECTOR	KEY INSIGHTS
Tech / Digital	• **Tech firms** from the South West and **West Midlands are invited to join a** trade mission **to Hong Kong, offering opportunities to export to the Asia Pacific region.**
Construction	• Monthly construction output **is estimated to have decreased by 1.9% in volume terms in February 2024**; this follows a 1.1% increase in January 2024, with the monthly value in level terms at £15,229 million in February 2024. The decrease in monthly output came from decreases in both new work (2.3% fall), and repair and maintenance (1.4% fall); **anecdotal evidence from survey returns suggested effects of heavy rainfall led to delays in planned work and decreasing output in February 2024.**
Retail, Hospitality and Tourism	• A recent study conducted by Data Culture Change has shed light on the disparities in arts funding distribution within the D2N2 region, which includes Derby, Derbyshire, Nottingham, and Nottinghamshire. The study revealed that **residents of D2N2 have consistently received less than both national and local arts funding, compared to other regions and cities across England**. • After a challenging start to the year, **retail sales remained flat in March after an increase of 0.1% in February. Easter did not bring the increase in sales that retailers were hoping for**, with sales volumes and values remaining relatively unchanged for a second month. Non-food stores saw sales volumes rise by 0.5%, while food stores and non-store retailers saw a fall of 0.7% and 1.5%. As we head into the summer months, retailers are hoping for a turning of the tide as consumer confidence grows.
Manufacturing	• **A costly paperwork burden has been lifted for UK steel product exporters.** Since last autumn, companies exporting products containing iron and steel to the EU, have been required to provide 'mill certificates' to prove the elements did not originate from Russia. This proved either expensive or impossible for many UK businesses resulting in the loss of crucial export markets. Following months of talks by the British Chambers of Commerce, with UK and European officials, the EU has now scrapped the paperwork requirement. Officials in Brussels have now designated the UK as a partner country on steel sanctions against Russia, meaning the certification paperwork is no longer needed. • Make UK's latest report reveals **Britain's manufacturers could boost their own investment by up to £10bn if they were to take advantage of the range of public and private financial options available to them**, helping to raise the investment potential of the sector overall by up to a fifth and address the UK's long-term productivity weakness. More than a quarter of companies (26%) would **increase their own investment** by up to a fifth if access to finance was improved, while more than one in ten (12%) would increase their investment by up to half. • Food and drink manufacturers outperformed all other UK sectors in both **output and new order growth** in March.
Transport Technologies	• A new report reveals significant potential for hydrogen rail in the Midlands. The report identified that the **Midlands region could be a pivotal player in the decarbonisation of the UK rail sector through the potential adoption of hydrogen rail technology.** • A new report by Midlands Connect highlights the **'massive' benefits to major universities** throughout the region if the rail link between Coventry, Leicester, Nottingham is delivered. **Academics said it would facilitate growth at the universities and help collaboration.** • Network Rail has launched a five-year plan, with an investment of **£45.4bn, aimed at creating a more efficient and environmentally friendly railway network** that can withstand climate change.
Environmental Technologies	• A new survey of local authorities has found that **navigating bureaucratic systems only to access short-term fund pots is hindering efforts to reach net-zero**, with the Local Government Association (LGA) calling for an overhaul of how councils can access climate funding. **90% of councils do not think that current financial pots are adequate to enable the delivery of net-zero by 2050**. • New research has found that lifting barriers to onshore wind and solar power could lead to a **13-fold increase in clean energy generation in England. 374,900 hectares – totalling 2.9% of land in England – is 'most suitable' for new onshore wind and solar farms.** North Yorkshire, Lincolnshire and East Riding of Yorkshire are among the top areas with potential for new onshore wind and solar projects. **An interactive map shows sites at local authority level.** • The UK Treasury's Transition Plan Taskforce (TPT) has unveiled new resources to aid businesses in **accessing finance for achieving net-zero emissions**, in addition to its disclosure framework for transition plans that ensures consistent and comparable reporting across companies and financial institutions worldwide. • New research from **Energy Systems Catapult** has revealed that **UK businesses will need to accelerate investment into cleantech solutions over the next 15 years** as the pathway to achieving net-zero emissions by 2050 narrows down.
Agri-Tech	• Changes to plant and animal-based product imports from the EU are due to take effect from 30 April as part of the Border Target Operating Model.

Business Insights and Impact on the UK Economy

ONS have published the final results from Wave 106 of the [Business Insights and Conditions Survey (BICS)](#).

Financial Performance

34.2% of West Midlands businesses and 32.9% of East Midlands businesses reported that turnover in March 2024 when compared to the previous month had increased. While 18.1% of West Midlands businesses and 16.5% of East Midlands businesses reported turnover had decreased.

32.0% of West Midlands businesses and 32.7% of East Midlands businesses expect turnover to increase in May 2024. While 9.1% of West Midlands businesses and 8.6% of East Midlands businesses expect turnover to decrease.

Demand for Goods and Services

20.1% of West Midlands businesses and 20.0% of East Midlands businesses reported that domestic demand for goods and services in March 2024 when compared to the previous month had increased. 12.0% of West Midlands businesses and 11.3% of East Midlands businesses reported a decrease.

6.0% of West Midlands businesses and 5.9% of East Midlands businesses reported that international demand for goods and services in March 2024 when to the previous month had increased. 5.4% of West Midlands businesses and 3.6% of East Midlands businesses reported a decrease.

Global Supply Chain Disruption

8.6% of West Midlands businesses and 6.9% of East Midlands businesses experienced global supply chain disruption in March 2024. With 62.4% of West Midlands businesses and 63.1% of East Midlands businesses citing the main reason for disruption was the conflict in the Middle East.

Trade

25.0% of West Midlands businesses and 23.8% of East Midlands businesses both exported and imported in March 2024. 3.1% of West Midlands of 2.3% of East Midlands businesses exported only and 12.5% of West Midlands businesses and 12.2% of East Midlands businesses imported only.

Main Concern for Business

21.1% of West Midlands businesses and 19.6% of East Midlands businesses cited **falling demand of goods and services as the main concern for business** for the upcoming month.

Recruitment Difficulties

18.3% of West Midlands businesses and 18.4% of East Midlands businesses reported **experiencing difficulties in recruiting employees** in March 2024.

Number of Employees

10.59% of West Midlands businesses and 19.0% of East Midlands businesses expect the number of employees in May 2024 to increase. 7.2% of West Midlands businesses and 7.6% of East Midlands businesses expect the number of employees to decrease.

Worker Shortage

17.8% of West Midlands businesses and 17.1% of East Midlands businesses are currently experiencing a shortage of workers. While 66.4% of West Midlands businesses and 67.1% of East Midlands were not.

Insolvency

5.5% of West Midlands businesses and 6.0% of East Midlands businesses were at moderate risk of insolvency. 46.2% of West Midlands businesses and 46.0% of East Midlands businesses reported low risk of insolvency. **37.0% of West Midlands businesses and 36.5% of East Midlands businesses had no risk of insolvency.**

Cash Reserves

4.2% of West Midlands businesses and 4.4% of East Midlands businesses had no cash reserves / less than 1 month. 28.4% of West Midlands businesses and 30.3% of East Midlands businesses had between 1 to 6 months. **45.8% of West Midlands businesses and 44.9% of East Midlands businesses had over 6 months of cash reserves.**

Supply Chains

81.6% of West Midlands businesses and also 81.6% of East Midlands businesses were able to get the materials, goods or services it needed from within the UK in March 2024. A further 4.4% of West Midlands businesses and 4.3% of East Midlands businesses were able to get materials, goods or services from within the UK but by changing suppliers or finding alternative solutions. 2.3% of West Midlands businesses and 2.4% of East Midlands businesses were not able to get the materials, goods or services needed from within the UK.

Overall Performance

28.9% of West Midlands businesses and 26.7% of East Midlands businesses reported that their overall performance in March 2024 when compared to the same period in the previous year had increased. 18.9% of West Midlands businesses and 20.0% of East Midlands businesses reported performance had decreased.

41.8% of West Midlands businesses and 38.8% of East Midlands businesses expect overall performance to increase over the next 12 months. While 7.6% of West Midlands businesses and 7.4% of East Midlands businesses expect performance to decrease.

Please note – the survey reference period: 1st to 31st March 2024. Survey live period: 2nd to 14th April 2024. The response rates are low and the data is unweighted and should be treated with caution.

DISCLAIMER OF LIABILITY

Every effort is made to provide accurate and complete information however we make no claims, promises or guarantees and expressly disclaim any liability for errors, omissions or actions taken by others on the basis of information provided.

For any queries please contact: Professor Delma Dwight (Delma.Dwight@theeiu.org)

MIDLANDS ENGINE OBSERVATORY

In Partnership:

The Economic Intelligence Unit

University of Birmingham – Birmingham Business School

WM REDI

Nottingham Business School – Nottingham Trent University

Aston University Birmingham UK

Birmingham City Council

Birmingham City University

City REDI

UK Research and Innovation

West Midlands Growth Company

West Midlands Combined Authority

BPS Birmingham

Midlands Enterprise Universities

Greater Birmingham Chambers of Commerce

fsb

East Midlands Chamber Derbyshire Nottinghamshire Leicestershire

CBI

MAKE uk The Manufacturers' Organisation

Greater Lincolnshire Local Enterprise Partnership

llep Leicester & Leicestershire Enterprise Partnership – creating economic prosperity

Midlands Innovation

D2N2 Derby Derbyshire Nottingham Nottinghamshire

Stoke-on-Trent & Staffordshire Enterprise Partnership

Worcestershire Local Enterprise Partnership