

MONTHLY IMPACT MONITOR

EXECUTIVE SUMMARY - APRIL 2024



MIDLANDS
ENGINE

OBSERVATORY

View the full monitor at
midlandsendge.org/observatory

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).



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.

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.

