

Executive summary | September 2024



MIDLANDS
ENGINE

OBSERVATORY

Regional Economic
Impact Monitor

REGIONAL ECONOMIC IMPACT MONITOR

This September edition of the Regional Economic Impact Monitor comes amid reports of the 2nd month of no growth of UK GDP. [UK Foundations](#) reason that it is difficult to build almost anything, anywhere. This prevents investment, increases energy costs, and makes it harder for productive economic clusters to expand. This, in turn, lowers our productivity, incomes, and tax revenues and may explain why Britain has stagnated.

- ▶ The latest [Summer UK Economic Outlook](#) reports that economic output in all English regions (excluding Yorkshire and the Humber) is expected to experience subdued growth with respect to their pre-pandemic level.
- ▶ The West Midlands is not projected to reach its pre-pandemic levels over the next year and a half. This is especially concerning for the West Midlands which in 2019 had half the economic output as the South East.
- ▶ The East Midlands continues to lag the other English regions in terms of employment growth, however it is expected to show marginally signs of growth relative to its pre-pandemic level over the next year and a half. Furthermore, the East Midlands has exceeded their pre-pandemic levels for GVA per hour worked.
- ▶ The West Midlands is projected to experience the sharpest drop in productivity by the end of 2025. The West Midlands is also forecasted to lag all other English regions by the end of 2025. This position was previously taken by the East Midlands in 2019.
- ▶ Skills remain an issue in the Midlands; a recent investigation into the [skill and qualification suitability in the labour market](#) reveals 50.0% (2.2m) had qualifications that matched the average for their occupation, 21.0% (928,870) were more qualified than average and 29.0% (nearly 1.3m) were less qualified than average.
- ▶ More people are underqualified for their role in the Midlands compared to the national average. More widely in the labour market concerning trends are emerging, as the number of young people not in full-time education or employment has reached its highest level since the early 1990s. Vacancies also continue to decline, now at a three-year low.
- ▶ More broadly, the monitor provides insights into a range of recent data releases, offering context for the current business landscape:
 - ▲ HM Revenue & Customs [UK Regional Trade in Goods data](#) shows in the year ending Q2 2024, the Midlands area exported £62.7bn worth of goods and imported £74.3bn. This represents a trade in goods deficit of £11.6bn, a decrease from the trade deficit in the year ending Q2 2023 which was £16.3bn. Goods exports increased by £2.8bn (+4.6%) since the year ending Q2 2023 while the UK decreased by 6.7%.
 - ▼ The latest [PWC store openings and closures](#) shows the West Midlands had 582 closures and 397 openings which means there was a net change of negative 185.
 - ▼ The East Midlands had 436 closures and 293 openings, a net change of negative 143. Chemists, chain pubs and banks are under particular pressures. Operators will need to navigate continued pressures: operating costs remain high and energy price inflation is expected. The long-term trend of consumers moving online will continue to take its toll, primarily at the expense of the high street.
- ▼ An [overview of the women-powered U.K. ecosystem](#) reveals women-powered businesses represent 28.1% of highgrowth companies in the Midlands. Between 2014 – 2023, total equity investment in women-powered businesses totalled £728m. Over the same period, there was £74.6m total grant funding in women-powered businesses.
- ▶ This month features a series of different work around inequalities in the UK, highlighting both the challenges and opportunities for creating a more equitable society:
 - ▶ The [Good Growth for Cities Index](#) seeks to recognise that if growth is essentially about improving the prosperity, opportunities and wellbeing of the general public, the focus must go beyond traditional measures of economic success, such as GVA and GDP.
 - ▶ LEP geographies across the Midlands Engine perform best on work-life-balance, with all areas rated above 0, but are ranked poorly for income, health, environment, and high-streets. The Black Country is the worst performing area, and Worcestershire is the best performing. Birmingham and Walsall are the poorest rated cities in the Midlands Engine, ranked 47th and 48th out of 51 cities. Stoke-on-Trent is the highest performing Midlands Engine city, ranked 15th.
 - ▲ The Midlands Engine total GDHI has increased from £192.1bn in 2021 to £204.1bn in 2022. This equates to a 6.2% (+£12.0bn) annual increase, slightly behind the UK-wide growth of 6.3%. Within the Midlands Engine all local authorities experienced an increase.
- ▲ The Midlands Engine GDHI per head has increased from £18,512 in 2021 to £19,460 in 2022. This equates to a 5.1% (+£948) increase, the UK increased by 5.3% (+£1,154) There is a shortfall of £3,329 to the UK figure (£22,789).
- ▶ The Social Mobility Commission's [State of the Nation 2024: Local to National Mapping Opportunities for All](#) reveals the Midlands regions ranked as unfavourable on 10 metrics, and favourable on only 1 metric in terms of social mobility drivers.
- ▶ Birmingham and North Lincolnshire are classed as least favourable for labour market opportunities, and Leicester, North East Lincolnshire, Sandwell and Stoke-on-Trent ranked as least favourable for conditions of childhood, whereas Rutland is ranked as favourable. Warwickshire is ranked as favourable for the index of promising prospects.



View the full monitor at midlandsendengine-observatory/resourcelibrary