MIDLANDS ENGINE
Observatory

MIDLANDS ENGINE
REGIONAL ECONOMIC IMPACT MONITOR

EDITION 28: JUNE 2022

Executive Summary

The June 2022 version of the Midlands Engine Regional Economic Monitor reports half way through another **turbulent year for businesses and the whole economy.** Inflation looks to be heading towards double-digit figures, weighing heavily on companies and communities across the region. The main pinch points for businesses relate to:

1) **Labour costs and shortages:** increasing demand for higher wages coupled with a shortage of capable workers
2) **Utility costs**: energy prices for businesses (not protected by an energy cap) are likely to go up further in October
3) **Fuel costs:** both as an input to production as in relation to distribution
4) **Material / other commodity costs and shortages:** including food and wider inputs like fertilizer, steel and cement

Validated by similar feedback from major representative organisations (MakeUK, FSB, NFU etc), these growing cost issues are cross-sector and, unfortunately, have seemingly **restricted the regional economic growth rebound anticipated this year,** as the world emerged from the depths of the pandemic. Instead, **cashflow in businesses is being severely damaged, likely contributing to a continuing uptick in company insolvencie**s and a wider economic downturn – as reported in this monitor through recent data releases:

- The **West Midlands Business Activity Index decreased from 54.5 in April 2022 to 49.7 in May 2022, the first contraction in 16 months**. While the **East Midlands Business Activity Index decreased from 58.1 in April 2022 to 51.8 in April 2022, the lowest reading since June 2020.**
- The Midlands Engine total Gross Value Added (GVA) has **decreased from £249.2bn in 2019 to £240.3bn in 2020.** This equated to a 3.6% annual decrease, reflecting the UK trend (-3.4%).
- Quarterly Gross Domestic Product (GDP) analysis for Q3 2021 shows there was a **quarter-on-quarter contraction of 0.6% in the West Midlands and a contraction of 0.5% in the East Midlands (since Q2),** while England overall increased by 0.6%. The industry level data suggests the Midlands **decline is driven by the manufacturing sector.**

These figures reflect the challenging picture for the Midlands Engine economy, **demonstrating the disproportionate economic shock of the pandemic years**, as well as a lower than-average recovery in more recent time periods.

However, this month's monitor also **evidences reason for optimism** in what is a mixed picture in the Midlands economy. This is underpinned by several more positive data / insight releases, all driven by an **underlying resilience in the region's business environment,** and confidence in the Midlands' offer as a place for investment and demand.

- The West **Midlands reported the highest business confidence of all regions in the latest Business Barometer from Lloyds Bank Commercial Banking (June),** and the business confidence in the East Midlands rose nine points.
- The **Midlands is still a top destination for Foreign Direct Investment.** Even during years of the pandemic, FDI has held strong and increased year-on-year at a higher rate than the national average.
- Other signs of a structurally sound business environment are reflected, such as **historically high equity investment levels across the Midlands, and new analysis to re-affirm the Midlands as a start-up hotspot** with an SME base that is growing faster than several regions including London, the South East, Eastern and the North.
- Additionally, the **labour market continues to recover with claimants continuing to fall across the Midlands:** there were 277,775 claimants the Midlands Engine area in May 2022, a decrease of 3,095 claimants since April.

But, as re-affirmed by the first report of The UK Productivity Commission, its well-known that **the Midlands lags behind the national average for productivity** – a key factor for prosperity and standard of living. This is likely due to multiple complex reasons, some of which are explored in the pages below, **critically as part of the region's response to its currently uncertain and stagnating economic predicament**:

- **Skills and Labour Shortages:** Both a structural / long-term problem and immediate issue: 38.6% of West Midlands businesses and 40.8% of East Midlands businesses recently reported to be experiencing a shortage in workers. Looking to the future, there are important shifts in skills and labour requirements to consider across sectors, including the integration of green and digital roles within traditional roles and sectors; as explored in Section 4.
- **Industry Mix:** Due to the impact of major global shocks (e.g. Brexit, Covid, Ukraine), the importance of manufacturing (particularly automotive) in the Midlands may have restricted growth in recent years – as explored in Section 3 (growth by sector and Brexit) and Section 5 (energy costs). But as a sector it will be a critical enabler of full economic recovery and growth in the Midlands, including decarbonisation and digitalisation.
- **Supporting Firms Beyond Start-Up:** Quantuma's business distress data suggests that more support for businesses may be required in the post-start-up phase – reflecting that companies in the 3-7 age bracket make up 43% of severely distressed businesses in the Midlands (compared to 38% in the UK as a whole).

All of the above will be important considerations for Midlands Engine partners moving into the second half of 2022. **Data and insight will continue to be integral to our approach,** with new releases (including the first **Census 2021 releases**, as per Section 6 of this Monitor) forming part of regional thinking and ultimately decision-making.

Policy Considerations

THEME	KEY INSIGHTS
Outlook	• **Rising costs and prices continue to be a major business issue**, particularly for utilities, wages and materials. This is damaging cash flow and likely contributing to a continuing **uptick of company insolvencies.** This has been dubbed a "cost of working crisis" by SMEs. Particularly high costs are: - **Fuel and energy costs** - **Material costs such as steel, timber and cement** - **Other commodities such as food and fertilizer** • Business groups are calling for **more action from government** to curtail the pressure on businesses. • This volatile economic climate stifles entrepreneurship and innovative investment, with the number of **regional start-ups reportedly falling in recent months**. This is according to insolvency and restructuring trade body R3 who found that there were 5,404 start-ups in the West Midlands in April, a **21 per cent decrease on the March figure of 6,845**. The East Midlands reported almost **2,200 start-ups in April, also a decrease from March** (-18%). • There was a boost for the economy via the Jubilee weekend, but the **prospect of regular train strikes is a major concern,** on top of the increased cost of living crisis dampening consumer demand. Other **industries striking would obviously make this worse for wider parts of the economy**; this includes teachers, nurses, and other public sector; but there is also strike action muted in some parts of the private sector as part of a possible "general strike". • There is a **continually mixed picture across the Midlands business environment, though**, with the **West Midlands reporting the highest business confidence of all regions** in the latest Business Barometer from Lloyds Bank (June), and the **East Midlands returning to growth**.
Trading Conditions	• There have been further examples recently of **regional businesses looking to re-shore and use local supply chains as components and materials from global suppliers are not of sufficient quality for the market,** or firms are unable to get hold of them at all or at a reasonable price. • More recent evidence points towards a **so-far negative Brexit impacts on trade, disproportionately affecting the Midlands.** This comes from the Resolution Foundation's "Big Brexit" report, which finds that, following the implementation of the TCA, the UK has suffered a broad-based fall in both openness and competitiveness in 2021. • Linked to the UK's new relationship with the EU, the **government** **agreed to extend steel safeguarding quotas on 15 steel products** until 2024. While this has been welcomed as a win by steel producers, domestic downstream manufacturers suggest it **still threatens thousands of jobs.** • However, the 2022 EY Attractiveness Survey reports that **FDI performance in the Midlands last year** **outpaced the rest of the UK.** The West Midlands grew particularly well, **reporting the number of FDI-backed projects growing at a faster rate than the rest of the UK.** The West Midlands hosted 78 FDI projects in 2021, up 27.9% from the 61 projects located in the region in 2020. The **East Midlands hosted 39 projects, up 2.6 percent from 38 projects in 2020.**

Labour Market	• Staffing and recruitment are a very hot topic for Midlands businesses - **shortages and skills deficits, and wage pressures - all making it difficult for small companies to compete.** Businesses across all sectors **continue to struggle to find suitable staff to fill roles.**
	• Demand for **flexible work, higher wages and lack of physical access to a workplace exacerbates this**, but the core issue relates to a lack of skills and people in the labour market – with varying requirements for different generations.
	- **Investment in new technology and machinery affecting ageing workforces**
	- Reports that **younger employees often do not remain in roles for the long term.**
	• Some sectors are increasingly more affected: e.g., **social care, hospitality and production sectors.**
	• There are key questions being asked by businesses around:
	  - **Public facing roles -do people not want them?**
	  - **Has the pandemic changed attitudes towards work?**
	  - **Why aren't people returning to workplace?**
	• Furthermore, some discussions have been had about what measures (if any) local businesses are doing to support their own staff with the increase in household bills. Some **businesses are paying staff the living wage**, rather than the minimum wage with these costs having a knock-on effect of increasing prices. While **some business owners are considering giving staff a one-off payment to help cover their utility costs.**

1. Economic and Labour Market Impacts

Global and National Outlook

Global

It was anticipated that following the Covid-19 pandemic, as happened after the last global pandemic, we may experience a ‘Roaring 20s’. However, instead it would appear we will be entering a period akin to the 1970s: **stagflation looks like it is set to grip many countries. Stagflation is when there is persistent high inflation and stagnant demand, as happened in the 1970s.**

Each G7 country has seen a decline in GDP over the first quarter of this year, alongside rapidly rising rapidly rising inflation. The largest rises in inflation has been within the UK and US and forecasters are now anticipating that inflation could climb to double figures this year in both the UK and US.

The main reasons for the rapidly rising global inflation are:

1. Rapidly rising energy prices

Energy prices are rapidly rising due to the Russian invasion of the Ukraine. The G7 and EU countries have announced the **phasing out or banning of imports of Russian oil, with similar measures taken for coal and natural gas.** Several large oil companies have also ceased operations in Russia and many traders are boycotting Russian oil. **Therefore, energy prices are expected to increase by 52% globally in 2022**, according to the World Bank.

2. Supply Chain Bottlenecks

Supply chains are still being impacted by the lingering impacts of the pandemic, **including disruptions in major Asian ports and lockdowns in major cities within China**. Furthermore, Russia’s invasion of Ukraine and its repercussions have led to severe physical and logistical dislocations that have magnified pre-existing bottlenecks.

3. Wheat and Fertilizer price rises

Agricultural prices are forecast to increase 18% this year, **above previous projections**, reflecting weaker production in Ukraine and Russia, alongside much higher input costs, including for fuel, chemicals, and fertilizers. Russia and Ukraine are key exporters of wheat, together accounting for about one-quarter of global wheat exports. Russia is also the world’s largest exporter of fertilizers and has instituted new quotas and restrictions on exports. **Fertilizer prices are expected to increase by around 70% in 2022, due to soaring input costs, reduced production, and trade disruptions**. As the price of these two commodities continue to rise it will **drive the up the price of most foods and drinks goods, as these commodities are key ingredients in the majority of food and drink production.**

National

ONS announced that **Consumer Price Inflation (CPI) had risen even further to 9.1% in the 12 months to May**, up slightly from April’s rate of 9%. This is **the highest rate of inflation in 40 years since March 1982,** and the Bank of England is now **forecasting that inflation could reach 11%.** ONS stated that **inflation in May was fuelled by rising prices for food and non-alcoholic beverages**. The inflation in this sector is largely as a result of Russia’s invasion of Ukraine severely restricting wheat and maize supplies, from two countries which make up almost a quarter of worldwide production. Kantar is now **forecasting that the average annual grocery bill in the UK is now set to rise by £380 this year.**

The rising food and drink costs are being compounded by rapidly rising energy prices. Food and drink production is highly energy intensive and the rapidly increasing energy prices will further push up costs for food and drink manufacturing and production. This could be pushed onto consumers, as many firms in the UK are struggling to absorb rapidly rising costs.

In order to combat inflation, the Bank of England (BoE) has **raised interest rates from 1% to 1.25%, their highest level for 13 years.** The rise this month had been expected and it is anticipated that there will be further increases this year. Some analysts are **predicting that the BoE may go so far as to raise interest rates to 3%** to quash inflation, however others **are predicting it will peak around 1.75%.**

Last year, OBR investigated the impact **of long-lasting high inflation on the UK economy.** This can happen when people think price rises will continue - businesses raise prices to keep making a profit and workers demand wage increases to keep up, developing into a wage-price spiral. **If this were to happen the interest rates may reach 3.5%.**

Rail workers went on strike for three days in June, protesting the pay freeze and redundancies facing the sector. Last-ditch talks failed to resolve the dispute over jobs, pay and conditions, **meaning some 40,000 RMT members at Network Rail and 13 train operators walked out.** The Centre for Economics and Business Research (Cebr) has found that the rail strikes will likely **cost the economy at least £91m,** warning that this figures could be much higher, especially for hospitality and retail.

Other sectors are now considering striking as well as they also face redundancies and pay freezes.

Source: City-REDI University of Birmingham

Business Activity

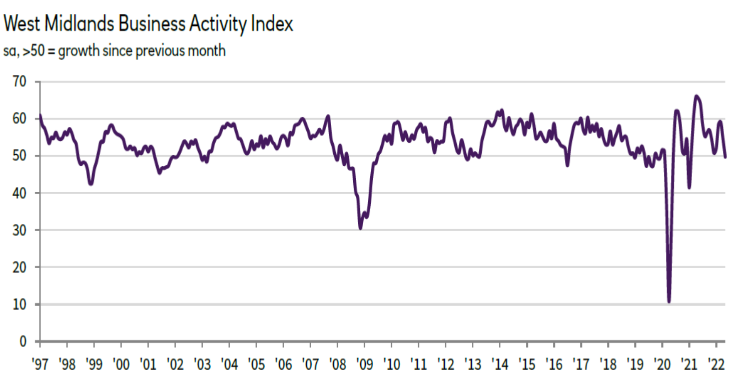
Business Activity Index

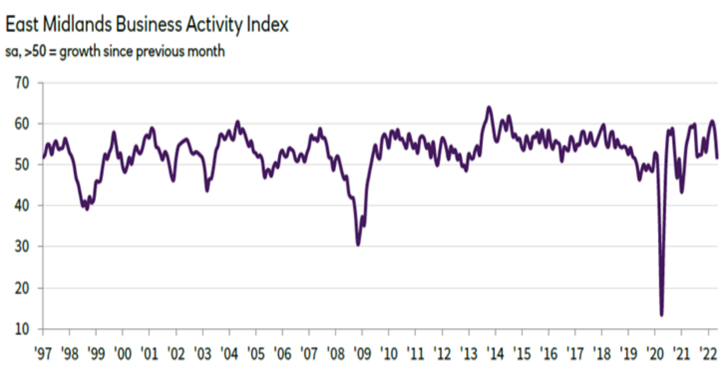
The **West Midlands Business Activity Index decreased from 54.5 in April 2022 to 49.7 in May 2022, the first contraction in 16 months.** Business activity was restricted due to inflationary pressures, subdued demand, challenging economic conditions and input shortages.

The **East Midlands Business Activity Index decreased from 58.1 in April 2022 to 51.8 in April 2022,** the lowest reading since June 2020. There was still an overall increase in business activity in May 2022 which was linked to the delivery of inputs and clearing of backlogs, although it was restricted due to hikes in prices and a drop in new orders.

The overall UK Business Activity Index decreased from 58.2 in April 2022 to 53.1 in May 2022.

The West Midlands and East Midlands Business Activity Index trends:





Source: NatWest PMI, June 2022

Of the 12 UK regions, the West Midlands and the East Midlands was third and fifth lowest respectively for the Business Activity Index in May 2022.

Demand

The **West Midlands New Business Index marginally increased from 50.2 in April 2022 to 50.5 in May 2022. The East Midlands New Business Index decreased from 51.0 in April 2022**. to 49.4 in May 2022, the first decline since February 2021 due to lower purchasing power among customers and supply-chain disruption .

Exports

The **West Midlands Export Climate Index decreased from 53.4 in April 2022 to 52.8 in May 2022,** this was linked to the continual downturn to China (42.2). The East Midlands Export Climate Index remained unchanged since April 2022 at 55.1.

Business Capacity

The **West Midlands Employment Index increased from 55.1 in April 2022 to 55.3 in May 2022**, taking the current sequence of job creation to 15 months. The **East Midlands Employment Index decreased from 55.5 in April 2022 to 55.1 in May 2022**, the rate of job creation was the slowest since September 2021 due to efforts in cutting costs.

The **West Midlands Outstanding Business Index increased from 50.2 in April 2022 to 51.3 in May 2022**, the fastest rate of growth since February 2022. The **East Midlands Outstanding Business Index increased from 50.5 in April 2022 to 51.8 in May 2022**, as material delivery delays pushed up work-in-hand.

Prices

The **West Midlands Input Prices Index increased from 85.0 in April 2022 to 85.6 in May 2022.** The latest rate of inflation accelerated to the second highest on record (Jan 1997). The **East Midlands Input Prices Index remained unchanged since April 2022** at 84.7.

The West Midlands Prices Charged Index decreased from 71.2 in April 2022 to 70.7 in May 2022. The East Midlands Prices Charged Index slightly increased from 70.2 in April 2022 to 70.3 in May 2022, the rate of selling price inflation was the sharpest on record.

Outlook

The **West Midlands Future Business Activity Index decreased from 71.8 in April 2022 to 66.1 in May 2022,** a 19-month low. The **East Midlands Future Activity Index decreased 67.5 in April 2022 to 65.0 in May 2022**, lowest since June 2020. Despite the level of positive sentiment falling, firms in the Midlands remained upbeat. Optimism was restricted due to **acute inflationary pressures and impact on customer spending, issues with transportation, a challenging economic climate and the Russian invasion.**

Out of the twelve UK regions, the West Midlands and the East Midlands were sixth highest and fifth lowest respectively for the Future Business Activity Index in May 2022.

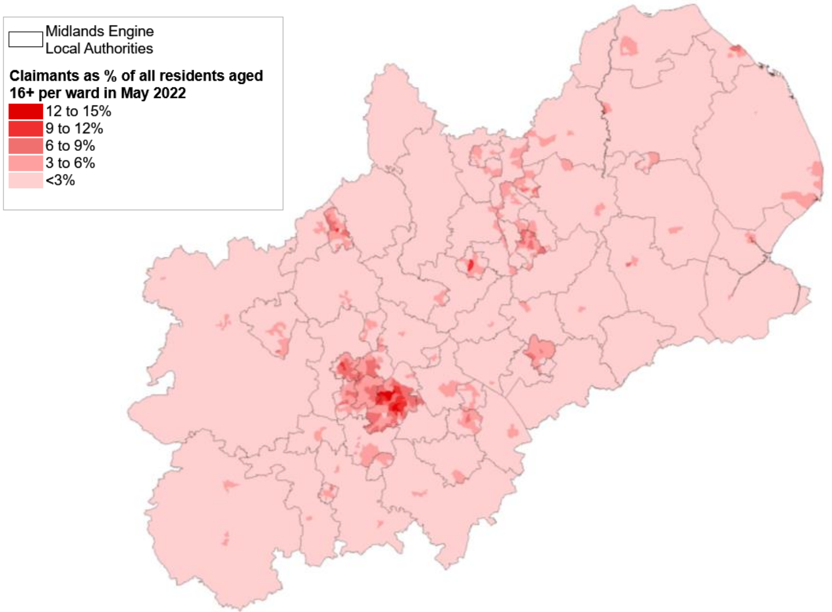
Source: NatWest PMI, June 2022. Located on the Midlands Engine Hub is an [Interactive Regional Business Activity Dashboard]

Labour Market Impacts: Claimants

There were **277,775 claimants aged 16 years and over in the Midlands Engine area in May 2022**, a decrease of 3,095 claimants since the previous month. This equated to a decrease of 1.1% for the Midlands Engine area, compared to a 1.5% decrease across the UK. **There are 56,235 (+25.4%, UK +26.7%) more claimants when compared to March 2020**. North East Lincolnshire (-280) and East Lindsey (-705) have lower levels than March 2020.

The number of claimants as a percentage of residents aged 16 years was 3.3% in the Midlands Engine (UK 3.0%) in May 2022 – remaining above the pre-pandemic levels of 2.7% (UK 2.4%) in March 2020.

Claimants as Percentage of Residents Aged 16 Years and Over in May 2022:



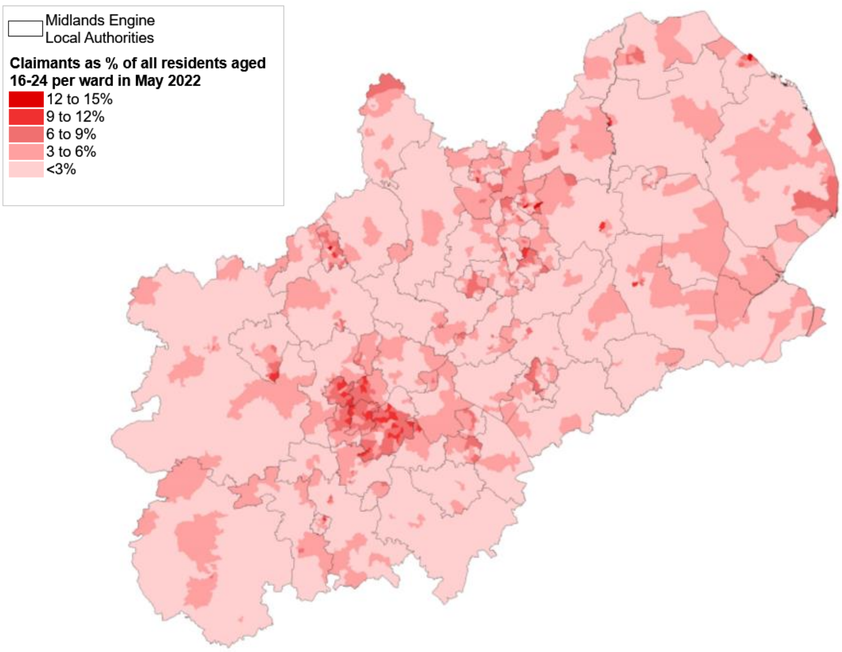
Out of the 1,511 wards within the Midlands Engine, **426 were at or above the UK proportion of 3.0%** for the number of claimants as a percentage of the population aged 16 years and over in May 2022.

The wards with the highest number of claimants as a percentage of the population were based in Birmingham, with Birchfield and Handsworth joint highest with 14.7%. This is followed by Lozells at 14.3% and then Aston at 13.5%.

There were 46,375 claimants aged 16-24 years old in the Midlands Engine area in May 2022 – a decrease of 1,000 claimants since April 2022. This equated to a decrease of 2.1% with the UK decreasing by 2.5%. Since March 2020 (44,195 claimants), **the number of claimants aged 16-24 years old has increased by 2,180** (+4.9%, UK +4.3%). Notably, 31 local authorities were lower than March 2020 levels and a further 1 was at the same level.

The number of claimants as a percentage of residents aged between 16 and 24 years old was 4.0% in the Midlands Engine and 3.6% for the UK in May 2022.

Claimants as Percentage of Residents Aged 16 Years and Over in May 2022:



Out of the 1,511 wards within the Midlands Engine, **597 were at or above the UK proportion of 3.6%** for the number of claimants as a percentage of the population aged between 16-24 years old in May 2022.

The ward with the highest the number of claimants as a percentage of the population was Portland (Mansfield) at 14.9%. This is by followed Oak Tree (Mansfield) at 12.8% and then Joiner's Square (Stoke-on-Trent) at 12.2%. In contrast, within the Midlands Engine there **were 132 wards with no youth claimants** in May 2022.

Source: ONS/ Department for Work and Pensions, June 2022.

Located on the Midlands Engine Hub is an [Interactive Claimants Dashboard]

2. Business Environment

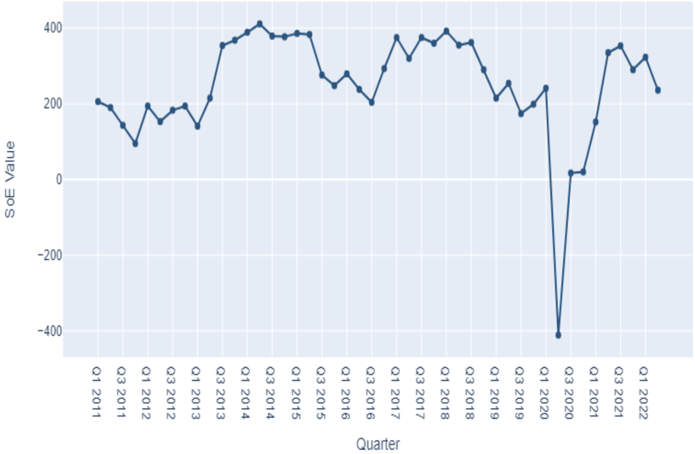
Local Business Intelligence

This report draws on contributions from the East Midlands Chamber, Make UK, the NFU, and the FSB.

East Midlands Council Regional Overview

This section draws on full Q2 Quarterly Economic Survey results (QES).The overall State of the Economy Index compiled from the QES has softened since Q1.

State of the Economy Index to Q2 2022:



The major story identified by Chamber members this month is of **rising input costs on all sides**. Where this narrative differs in relation to previous reports is in the ranking of the factors driving this general picture: **(1) Labour costs; (2) Utilities costs; (3) Fuel – both as an input to production as in relation to distribution; and (4) Raw materials.**

Notwithstanding these pressures on firms, demand for the goods and services that they supply is reported to be holding-up – with **domestic demand reported to be somewhat stronger than that in overseas markets.** Whether this will continue to be the case as the 'cost of living' crises impacts on household expenditure remains to be seen.

40% of Chamber members were reported to be operating at full capacity. A figure that is reported to be high by historic yardsticks and the balance on cashflow has improved slightly since Q1. **While around a third of members indicate they intend to increase future business investment**, in general, there is evidence that investment intentions have softened in the context of ongoing uncertainties associated with fuel prices, the impact of war in Ukraine and continuing disruption to global supply chains. **Investment intentions dropped quarter on quarter for both investment in plant and machinery and training**. It has been suggested that with a significant proportion of firms now operating at or near to full capacity, one would normally expect investment intentions to be stronger. **Recruitment remains a significant business concern.** Two thirds of members report that they have attempted to recruit. Of these firms, 82% have struggled to fill vacancies.

It is noteworthy that **recruitment difficulties are now being reported at all skill levels** – including in relation to unskilled roles.

Measures **of future business confidence have softened somewhat in Q2 – although balances on expectations of turnover and profitability remain positive.** When asked about their biggest current concerns, inflation is now ranked highest by a large margin followed by access to skilled labour. Rising input cost pressures on businesses are not yet thought to have fed through into rising insolvency rates, although this remains a future risk.

Make UK - Manufacturing

Make UK report a very volatile picture characterised by continuing uncertainty. Interestingly, their membership reports differences in the regional picture of conditions – with both East and West Midlands said to be slowing relative to a more buoyant East of England.

Key concerns highlighted by manufacturers on order of severity include: (1) Recruitment; (2) Supply chain problems; and (3) input price inflation including energy.

Continuing disruption to supply chains and rising freight costs over the last two years is said to have resulted in **many firms reviewing their supply chain arrangements.** Make UK have characterised this as a shift in emphasis from Just in Time to Just in Case. While these supply chain problems have been widely experienced since the onset of the Covid-19 pandemic, they are now reported to be more prevalent. It has been **suggested that the costs of international shipments alone has now reached a level that it has now affected the firms views on the merits of off-shore production.** There is some evidence of firms **diversifying supply chains** as a means of promoting greater resilience. It is also being reported that some firms are **stock-piling components and raw materials** in order both to ensure continuity of supply and as a response to the expectation of future input price increases.

Rising energy prices remain a major concern for manufacturers. Firms are described as facing a particular problem when existing energy supply contracts must be renewed. **Many manufacturers have taken steps to reduce energy consumption/improve energy efficiency.**

Ongoing recruitment problems are reported to have encouraged many employers to **review non-monetary benefits associated with employment** as a means of improving the attractiveness of employment to existing and prospective employees. **Replacement demand for skilled labour remains a major issue for many manufacturing employers**. Better access to EU employees is reported as an ongoing requirement within the sector.

Local Business Intelligence

Raw materials remain a major source of input cost pressures on many manufacturers. War in Ukraine has exacerbated the supply problems many had experienced as a result of the Covid-19 pandemic. The combination of price, labour and supply issues noted above with increasing uncertainty over levels of future demand for manufactures is reported to have affected future investment intentions.

FSB – Small Business Experiences - key concerns reported by Midlands SMEs:

- **Cost of doing business crisis & inflation**

The FSB quarterly Small Business Index report had shown that SME business owners were feeling bullish at the start of this year, paving the way for a strong summer trading season. **That rebound in activity is now at serious risk, with surging costs weighing heavily on small business owners.** Local consumer-facing firms, having been hardest-hit over lockdowns, are now caught between customers less willing to spend and the need to increase prices to cover surging outgoings, leading to a serious contraction in services output.

FSB research shows that **a fifth of small firms cite input costs as their main concern**, along with surging energy bills, travel disruption and the need to service debt, the cost of which is rising. The **small business community shrank in size to the tune of 400,000 over Covid-19 lockdowns. If surging costs keep on unaddressed, hundreds of thousands more will be at risk.**

FSB is calling for urgent Government action, including: reversing hikes to national insurance contributions; reducing business rates for small firms; cutting VAT, especially on energy; and reducing fuel duty.

- **Business finance**

Successful finance applications have plummeted to the lowest level on record. 9% of small firms applied for finance in Q1 2022, the lowest proportion since SBI records began. The share that saw applications approved (43%) is also at a record low. The number of respondents describing the availability of credit as "good" (19%) has tumbled to its lowest point since 2016. Of the few firms that did manage to secure finance, 42% plan to use credit to manage cashflow, considerably more than the numbers planning to use funds for equipment updates (21%), expansion (19%) or recruitment (4%).

- **Labour Market**

Many Midlands SMEs are reporting that recruiting staff is becoming increasingly difficult and problematic. The combination of changed employee expectations (e.g., reduced hours, work from home) plus the high demand for labour across sectors and disciplines, are fuelling demands for **very high wages and favourable conditions.** Even from those who are unskilled, inexperienced or new entrants to the labour market. While some larger firms are able to go some way towards meeting these expectations and demands, **smaller firms often lack the financial and developmental capacity to pay high wages for - and then develop - new starters.** The problem seems widespread but is particularly **acute in IT and business & professional services, where 'poaching' of talent by larger firms is becoming commonplace**. The trend away from careers in relatively low-paid, high pressure sectors also continues, with **acute shortages cited by local hoteliers, care providers, agricultural trades and service providers.**

- **Late Payment**

61% of small firms are being impacted by late payment of invoices, with **26% saying the propensity for late payment is growing.** FSB is urging the Government to accelerate delivery of our proposal to make Audit Committees directly responsible for supply chain practice to address this worrying trend, strengthen corporate supply chains and create a thriving small business community driving economic growth from the ground up.

NFU - Farming

Since the last Monitor, the Government has published its food strategy. **The NFU report that a greater emphasis on increasing self sufficiency in food production is necessary.** They also report an evident **tension between the government's approach to trade deals with food producing nations and some of the objectives in the food strategy relating to the development of the domestic food industry.** The major concern reported by the farming sector echo those from other sectors - **input costs are reported as rising on all sides. It is said to be inevitable that farmers input costs must be passed-on to consumers**.

A recent NFU survey reported that **87% of farmers think that rising input prices will adversely affect their business.** The poultry sector is reported to have been particularly hard hit by these problems as a result of both rising wheat prices (used for feed and 57% more costly than a year ago), energy costs associated with heating poultry sheds and the impacts of avian flu. These pressures are reported to have already fed through into the hospitality sector. Uncertainty over future input costs is a particular problem.

Farmers also report evidence of a tightening in the availability of credit – that in turn can present problems for the management of cash flow. The cost of living crisis is reported to be a particular issue for rural communities who depend on car use for transport to and from work and to access essential services.

Local Business Intelligence By Sector

SECTOR	KEY INSIGHTS
Construction	• The **construction industry continues to face challenges** as some material prices continue to rise, for example; paint is a major concern in the industry and the **material is beginning to cost more than the labour.** • The insurance debentures being asked for contracts is **pricing companies out of the business.** • **Security across construction sites is also adding to the cost challenges** for many projects, with storage of red diesel proving challenging and materials being in high demand companies are being forced to recruit 24/7 security on sites.
Manufacturing	• There is **buoyant demand in manufacturing** but challenges to do with deliveries, supply chain, cost of materials, exports and export documentation, staffing, inflationary pressures, including cost of living increases difficult to pass on to consumers. • Recent intelligence from MakeUK breaks down the costs that are causing most disruption to manufacturers: **energy costs comes out on top, followed by raw materials cost, raw materials availability, and transport costs.** • **Jaguar Land Rover** could move its electric car production to Europe after becoming frustrated with a lack of action over a British Gigafactory.
Tourism, Hospitality & Retail	• **Retailers have started to see a bounce back in trade,** with boosts coming from the Jubilee weekend and the expected boosts in due course relating to the Commonwealth Games. • However, hospitality and retail businesses remain worried that the cost-of-living crisis will significantly impact consumer spending over the summer. As inflation begins to hit hard, **businesses are concerned that consumers reduced disposable income will result in lower footfall and falling revenues**. Considering the extent to which the sectors were affected by Covid-19, the crisis is extremely concerning for their ability to return to normal trading levels. • The tourism sector had started to bounce back from the pandemic too but is now seeing the **impact of the economic climate with consumers cutting down on non-essential spend**, also impacting events and wider tourism– a concern given the importance of the visitor economy to the Midlands.
Agriculture / Food & Drink	• Agriculture & food and drink sectors are concerned about **access to labour, increased labour costs, dependence on visa-based labour**, food security, cost of ingredients, cost of transport, supply chain issues. There is a warning of **food shortages because of these issues.** • Disruption in the supply of oils, particularly sunflower oil with prices increasing by some 60%, is severely **impacting the catering industry** with businesses needing to double order volumes to mitigate the risk and cope with potential delays with deliveries. • **Food and Drink manufacturers are still finding it difficult to get production staff**. The use of recruitment agencies is on the rise with some reporting that they have not had to go down this route for six or seven years. For some employers, the **training and upskilling of staff is having a detrimental impact as staff are using their new skills and accreditation to move to higher paying jobs.** Due to this, end of year incentives are being implemented or least considered to incentivise staff members to stay on. • The **rising cost of energy and raw materials** (gone up by about a third) are impacting food manufacturers and over the past month, some have had to implement price increases. One **business owner suggested they might have to increase their prices every quarter** whereas before they might have done it once a year.
Sport & Leisure	• Leisure businesses are facing a shortage of chlorine **with the potential for swimming pools having to close;** this which will cause issues this summer as it's a statutory requirement for children to be able to swim. • Businesses from across sectors have been urged to plan for the Commonwealth Games **as crowds flock to the Midlands in late July / early August.** Also, its recently been confirmed that opportunities for improving international trade will be discussed in Birmingham when the Games are hosted. The UK House Commonwealth business hub **will take place over eight days during the Games from July 28 to August 8.**

Business and Insights and Conditions Survey

The Office for National Statistics (ONS) have published the final results from [Wave 58 of the Business Insights and Conditions Survey (BICS).]()

Trading Status

99.5% of West Midlands businesses were trading over the survey period, split by 96.5% fully trading and 2.2% partially trading.

98.7% of East Midlands businesses were trading over the survey period, split by 97.5% fully trading and 1.7% partially trading.

International Trading

53.8% of West Midlands businesses and 53.8% of East Midlands businesses reported exporting stayed the same in May 2022 when compared to May 2021.

18.0% of West Midlands businesses and 17.3% of East Midlands businesses reported exporting less.

16.4% of West Midlands businesses and 13.5% of East Midlands businesses reported to exporting more.

54.9% of West Midlands businesses and 54.0% of East Midlands businesses reported to importing staying the same in May 2022 when compared to May 2021.

11.6% of West Midlands businesses and 14.7% of East Midlands businesses reported to importing less.

18.0% of West Midlands businesses and 16.1% of East Midlands businesses reported to importing more.

Intra UK Procurement

66.2% of West Midlands businesses and 66.7% of East Midlands businesses were able to get the materials, goods or services it needed from within the UK in May 2022.

14.7% of West Midlands businesses and 14.8% of East Midlands businesses reported they were able to get what was needed but had to change suppliers or find alternative solutions.

7.6% of West Midlands businesses and 5.5% of East Midlands businesses reported they were unable to get the materials, goods or services needed.

Global Supply Disruption

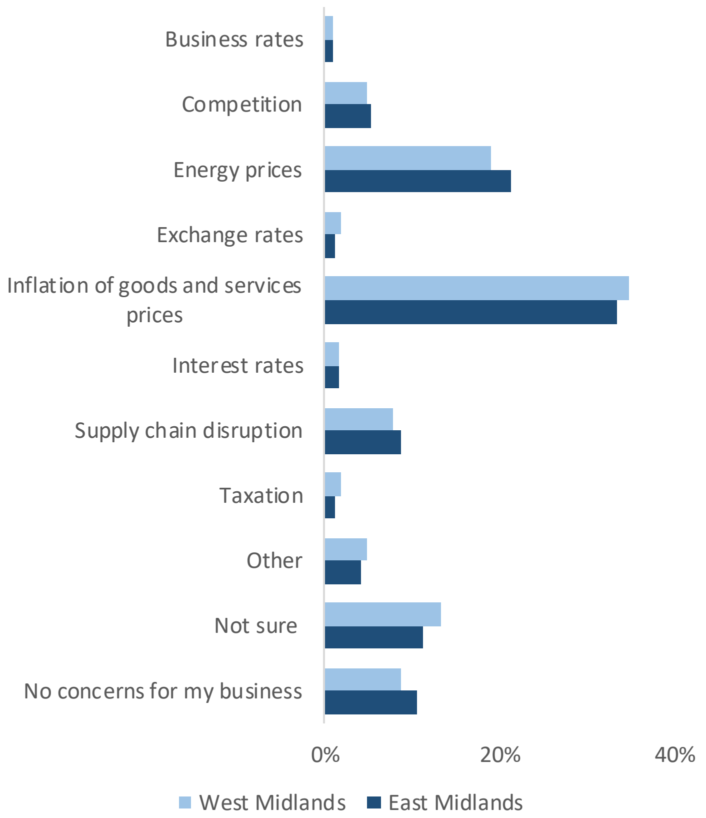
42.6% of West Midlands businesses and 42.2% of East Midlands businesses reported experiencing no global supply chain disruption in May 2022.

Although, **23.6% of West Midlands businesses and 21.4% of East Midlands businesses reported experiencing global supply chain disruption in May 2022.**

Main Concern for the Business

35.0% of West Midlands businesses and 33.5% of East Midlands businesses reported that inflation of goods and services prices was the main concern for the business.

The main concern (if any) for Midlands businesses:



Homeworking

34.1% of West Midlands businesses and 35.4% of East Midlands businesses are using, or intending to use, increased homeworking as a permanent business model going forward.

Of these businesses, 82.3% of West Midlands businesses and 82.2% of East Midlands businesses reported that they were using or intending to use, increased homeworking as a permanent business model going forward due to improved staff wellbeing.

Skills Demand and Support

30.3% of West Midlands businesses reported in the last 12 months there has been a high demand for manual skills.

While, 19.5% of West Midlands businesses reported that the workforce required extra support or training in management or leadership skills.

What skills have been in high demand for West Midlands businesses in the last 12 months and the skills West Midlands businesses the workforce need extra support or training in:

	West Midlands businesses - high skills demand for in the last 12 months	West Midlands businesses - which skills require extra support or training in
Advanced digital skills	13.4%	9.5%
Basic digital skills	15.3%	9.3%
Customer service skills	24.0%	12.5%
Management or leadership skills	25.0%	19.5%
Manual skills	30.3%	14.3%
Transferable skills	11.7%	8.2%
Other	3.8%	-
None of the above	31.5%	57.4%

28.8% of East Midlands businesses reported in the last 12 months there has been a high demand for manual skills.

While, 18.0% of East Midlands businesses reported that the workforce required extra support or training in management or leadership skills.

What skills have been in high demand for East Midlands businesses in the last 12 months and the skills East Midlands businesses the workforce need extra support or training in:

	East Midlands businesses - high skills demand for in the last 12 months	East Midlands businesses - which skills require extra support or training in
Advanced digital skills	13.4%	8.7%
Basic digital skills	14.9%	8.5%
Customer service skills	24.3%	12.9%
Management or leadership skills	24.0%	18.0%
Manual skills	28.8%	11.7%
Transferable skills	12.2%	7.4%
Other	4.3%	-
None of the above	30.8%	59.4%

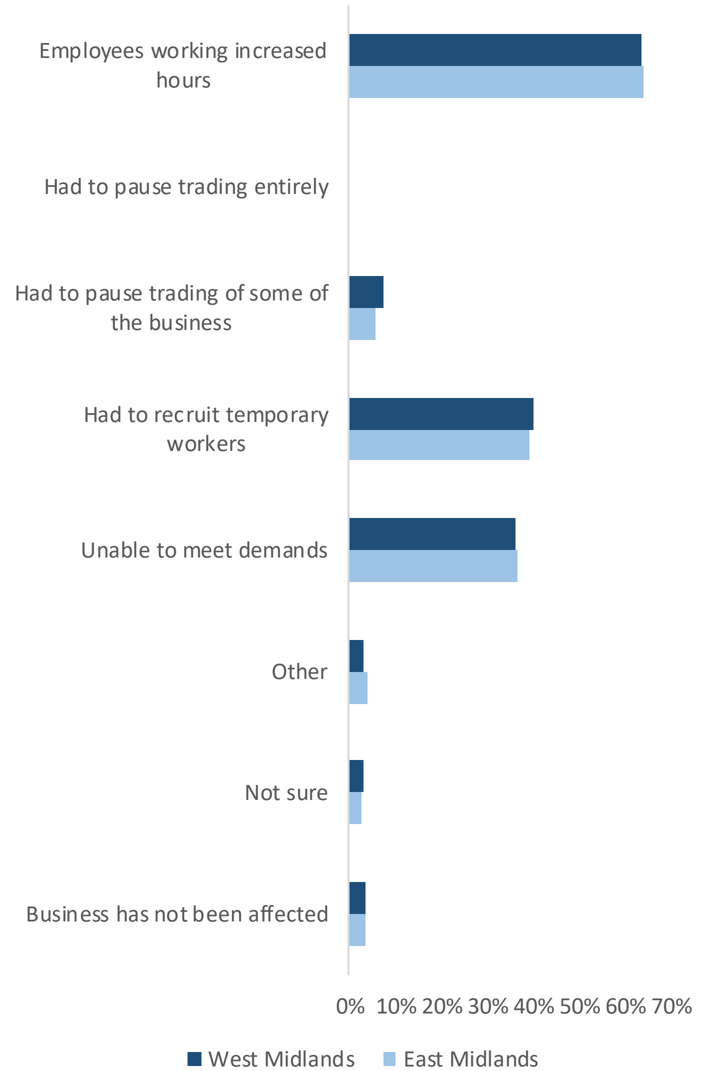
Worker Shortages

45.3% of West Midlands businesses and 44.9% of East Midlands businesses reported to not currently experiencing a shortage of workers.

Although, **38.6% of West Midlands businesses and 40.8% of East Midlands businesses reported to currently experiencing a shortage in workers.**

63.7% of West Midlands businesses and 64.0% of East Midlands businesses reported that the worker shortage had caused employees to work increased hours.

How the shortage of workers has affected Midlands businesses:



Source: ONS: [Wave 58 of the Business Insights and Conditions Survey](). In the West Midlands there was a response rate of 23.2% and in the East Midlands there was a response rate of 24.9% where businesses have a presence in the region. There was a response rate of 22.5% for the West Midlands and 24.9% of East Midlands where businesses are headquartered in the region. Survey reference period: 1st to 31st May 2022. Survey live period: 30th May to 12th June 2022. As response rates are low and the data is unweighted and should be treated with caution.

Performance and Prospects of SMEs

Utilising their data asset Clarity, business advisory firm Quantuma have revealed data regarding the **prospects and distress signals of Midlands SMEs** compared to the rest of the UK.

Growth

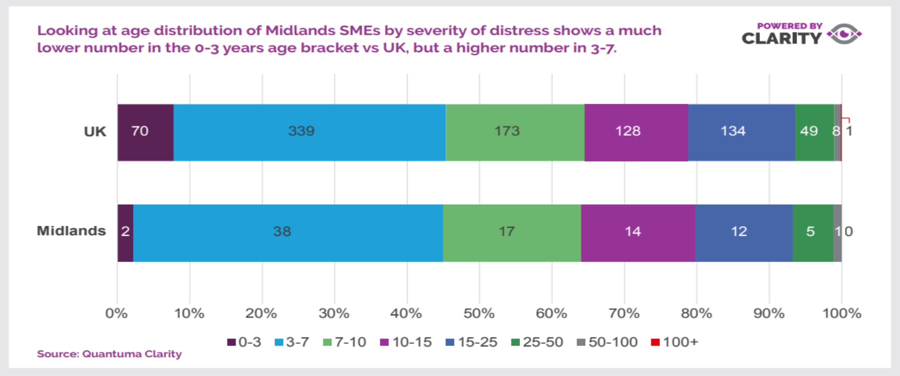
- According to Clarity's Growth Score, **Midlands SMEs score higher on average than several regions including London, the South East, Eastern and the North; with a stark difference of 16% between the Midlands and the capital.** But the picture isn't uniform across the Midlands, with hotspots driving growth (particularly Birmingham) and other areas behind the national average.
- **Manufacturing is leading the way on growth prospects both nationally and regionally**. Midlands SMEs in this sector score higher on the Growth Score than all other regions. This is in part being driven by the continued **onshoring of manufacturing facilities and from exports, as well as a boom in low carbon manufacturing.**
- Other sectors such as **Construction and Financial Services/Insurance** also provide reasons to be optimistic about the future of the region, whereas **Accommodation/ Food, Utilities, Healthcare, and Transport/ Logistics SMEs rank much lower on financial stability and growth** in comparison to all other UK regions.

Efficiency

- Clarity also measures the efficiency of SMEs looking at leverage, profitability, liquidity, and risk.
- Here the report reveals a **stark picture of Midlands SMEs underperforming UK SMEs with respect to profitability and efficiency but outperforming them with respect to lending suitability.**

Distress

- The number of Midlands SMEs that are captured in Clarity's categories of distress (using an insolvency propensity model) averaged **11% in the 5-month period between September 2021 and January 2022.**
- The **proportion of the most severely distressed SMEs in the 0-3 years age bracket is significantly lower in the Midlands than in the same category for the UK as a whole.** In the Midlands those **start-up businesses account for only 2% of the total number of distressed businesses, compared with 8% across the UK.**
- This difference is offset in the 3-7 years age bracket, **where SMEs in the Midlands account for 43% of the total compared to 38% in the UK as a whole.**
- This points to the **Midlands providing a better location for start-ups and businesses in the early years in comparison to the UK average, but that more support may be required in the post-start-up phase.**
- Looking at the jobs risk from distressed companies, Quantuma suggest that **5,000 jobs are at risk through distressed jobs in the East Midlands, and 9,000 in the West Midlands.**



Source: Quantuma

Clarity's Growth Score is the likelihood of a business achieving high growth (60%+ growth in employment, adding at least 6 employees over a 3 year period), 1-100 score where 100 is likely to achieve high growth and 1 is unlikely to achieve high growth. This model uses both financial and director information, information which is not available for non-registered companies.

Small Business Equity Tracker 2022

The British Business Bank's Small Business Equity Tracker 2022 report provides a comprehensive picture of equity funding conditions for smaller businesses across the UK. The report is intended to not only inform the development of the Bank's own strategy, but to also inform about wider developments in both market and government policy.

Some of the key findings include that equity investment in the UK's smaller businesses **increased by 88% in 2021 to £18.1bn compared to the previous year** – this is the highest yearly amount since the Beauhurst data series began in 2021. Likewise, strong momentum continued into **Q1 2022, with £7.6bn of equity investment reaching smaller businesses, the highest amount invested in a single quarter and nearly double of the £4.3bn in Q1 2021**.

The UK managed to retain its position in 2021 as the largest venture capital (VC) market in Europe, larger than both France and Germany combined. However, despite the UK being the European leader in the VC Market by investment, it still falls short behind the US. In 2021, **753 deals involved an overseas investor**, **58%** higher than the previous year and equating to **28%** of all deals recorded. Overseas investors participated in equity deals to the value of **£13.5bn**, which is equivalent to **75%** of the total invested during the period.

Number and value of announced equity deals by English region and devolved nation, 2021

Regions and devolved nations	Number of deals (2021)	% change compared to year ago	Investment value (2021)	% change compared to year ago
London	1,286	23%	£11.9bn	89%
South East	269	24%	£1.6bn	59%
East of England	169	14%	£1.4bn	91%
North West	160	26%	£872m	213%
South West	130	49%	£821m	357%
Scotland	223	-19%	£549m	74%
West Midlands	68	13%	£338m	-12%
Yorkshire & the Humber	86	18%	£179m	13%
East Midlands	50	32%	£154m	92%
North East	76	6%	£150m	58%
Northern Ireland	39	44%	£88m	240%
Wales	60	-22%	£83m	44%

Historically, equity investment has been concentrated in London and 2021 saw this concentration increase, reversing recent improvements. In 2021, **1,286 deals worth £11.9bn took place in London, 49% of the UK's total and 66% of total investment.** This was driven by stronger growth in London than the rest of the UK, rather than a decline in activity in the other regions and devolved nations. Likewise, 2021 was still a good year for equity investment outside of London as there were **1,330 deals worth £6.2bn in English regions outside of London and in the devolved nations.**

Every region in England saw increased number of deals, whilst Northern Ireland was the only devolved nation to experience an increase**. Moreover, every English region apart from the West Midlands had an increase in the value of equity investment in 2021.** The West Midlands had **68** deals in 2021 which was an increase of **13%** from the previous year. Whilst the investment value in 2021 was **£338m**, a decrease of **12%**; however, the West Midlands is still at a historically high equity investment levels which are **93% higher than £115m in 2019**. Meanwhile, the East Midlands had **50** deals in 2021 which was an increase of **32%** from the previous year whilst the investment value was **£154m**, a substantial growth of **92%**.

Within the West Midlands the **technology and IP-based business sector** was the one to attract the most funding, **securing £224m, a 771% increase from 2020 which only saw £28m** despite only an additional three deals (25) reported in the sector in 2021. **Medical technology also appeared prominently with almost £188 worth of investment across eight deals, increasing significantly from just over £900,000 in 2020** over five deals. However, this can be partially explained by a single large deal where Quanta, a medical device company, received a **£176m** funding package in Q2 2021. Following suit, within the East Midlands, **technology and IP-based** businesses also attracted the largest amount of investment of all sectors at **£45.2m**.

Source: British Business Bank, 2022

3. Economy and Investment

Gross Value Added & Productivity

The Midlands Engine total **Gross Value Added (GVA) decreased from £249.2bn in 2019 to £240.3bn in 2020**. This equated to a 3.6% annual decrease, reflecting the UK trend (-3.4%) – **driven by the onset of the Covid-19 pandemic.** Notably, out of the 65 Midlands Engine local authorities, just **10 local authorities increased in total** GVA between 2019 and 2020.

Midlands Engine **GVA per head decreased from £24,081 in 2019 to £23,100 in 2020**. This equates to a 4.1% (-£981) decrease, above the UK average decrease of 3.8%. In 2020, there was a GVA per head **shortfall of £5,964** to the UK figure (£29,063).

Of the Midlands Engine's ten defined sectors, **business, professional & financial services remains the largest in terms of GVA, accounting for 27.2% (£65.3bn)** of total GVA in 2020. However, this sector's GVA decreased by 3.4% (nearly £2.3bn) since 2019. **Despite, the overall decline in GVA, two sectors for the Midlands Engine area increased** between 2019 and 2020. These were; public sector inc. education, increasing by 6.4% (+£1.8bn) to reach £29.9bn; and healthcare and life sciences increasing by 15.3% (+£3.2bn) to £24.4bn.

GVA by Sector for the Midlands Engine overall and UK-wide:

	Midlands Engine					UK			
	2019	2020	% Change	Num. Change	% of 2020 total	2019	2020	% Change	% of 2020 total
	£ Millions			£ Millions		£ Millions			
Advanced Manufacturing	£41,830	£37,775	-9.7%	-£4,055	15.7%	£200,263	£186,948	-6.6%	9.6%
Business, Professional & Financial Services	£67,606	£65,326	-3.4%	-£2,280	27.2%	£707,964	£692,080	-2.2%	35.5%
Construction	£17,955	£16,132	-10.2%	-£1,823	6.7%	£141,032	£123,734	-12.3%	6.3%
Creative, Design & Digital	£9,553	£9,535	-0.2%	-£18	4.0%	£125,228	£123,269	-1.6%	6.3%
Energy & Low Carbon Activities	£12,113	£11,572	-4.5%	-£541	4.8%	£89,933	£80,444	-10.6%	4.1%
Healthcare & Life Sciences	£21,176	£24,415	15.3%	£3,239	10.2%	£152,595	£177,316	16.2%	9.1%
Public Sector inc. Education	£28,132	£29,944	6.4%	£1,812	12.5%	£217,153	£230,978	6.4%	11.8%
Retail	£29,793	£28,607	-4.0%	-£1,186	11.9%	£210,845	£203,788	-3.3%	10.5%
Transport Technologies & Logistics	£10,610	£10,219	-3.7%	-£391	4.3%	£80,429	£70,709	-12.1%	3.6%
Visitor Economy	£10,451	£6,762	-35.3%	-£3,689	2.8%	£91,902	£60,339	-34.3%	3.1%
Total	£249,205	£240,294	-3.6%	-£8,911	100%	£2,017,344	£1,949,605	-3.4%	100%

Productivity

The Productivity Institute published Productivity in the UK: Evidence Review in June 2022. **The report contains contributions from the Midlands Engine Observatory.**

The key points from the report include –

- In the three decades since the Second World War, the average annual productivity growth rate (output per hour worked) was around 3.6 per cent. The following three decades saw this fall to around 2.1 per cent. From the start of the financial crisis in 2007 to 2019, this declined even further to 0.2 per cent. **Demonstrating the importance of productivity for the economy and living standards**, the Office for National Statistics (ONS) reports that **if productivity had continued to grow at two per cent per year in the last decade, it would have meant an extra £5,000 per worker per year on average.**
- **The bulk of evidence indicates that the slowdown in UK productivity growth started circa 2007-08**, around the time of the financial crisis. As reported by the ONS, there was a very sharp slowdown in output per hour worked in the UK after the financial crisis.
- **The UK's productivity performance has been uneven across the country.** There is a persistent gap between London and the South-East and the rest of the UK regions and cities. Human capital is highly concentrated in London and broader South-East. A view presented to The Commission is that productivity growth has been held back by 'productivity laggards' in the long tail. The alternative view also presented is that the gap between the high- and low-productivity firms did not increase substantially since the financial crisis. Rather, it is frontier firms, which often export, that have struggled to bounce back and boost productivity growth.
- Numerous policies are suggested to improve the UK's poor productivity performance by tackling structural problems, which include **over-centralisation, weak and ineffective institutions and policy churn, institutional and policy silos, as well as short-termism and poor policy coordination.**

GVA Source: Office for National Statistics: Regional economic activity by gross domestic product, UK: 1998 to 2020 - released May 2022

Quarterly Gross Domestic Product

- Quarterly Gross Domestic Product (GDP) analysis for Q3 2021 shows there was a quarter-on-quarter **contraction of 0.6% in the West Midlands and a contraction of 0.5% in the East Midlands (since Q2)**, while England overall increased by 0.6%. There was a mixed picture all the English regions; three regions had positive growth – with London the highest with +2.3%, five contracted – the highest being the North East at 1.2%; with one region was flat at 0% (Yorkshire and The Humber).

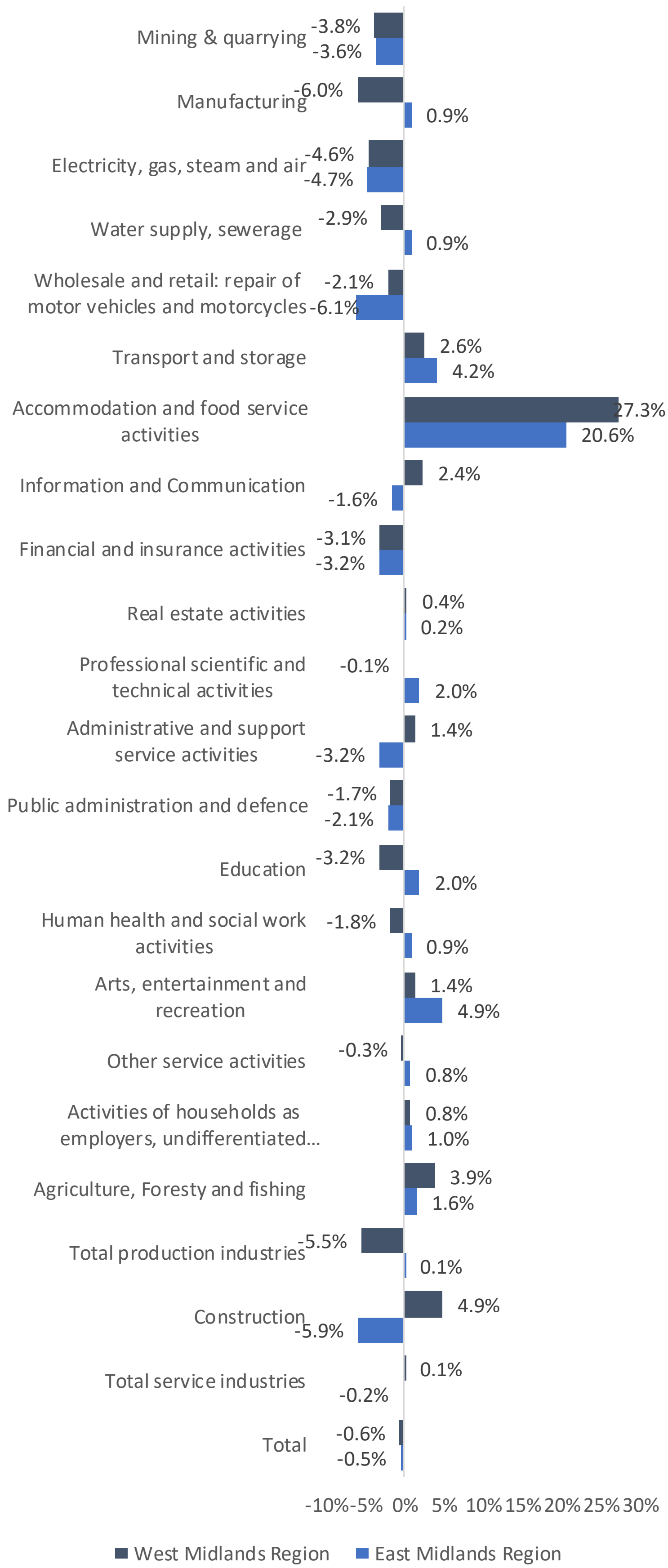
West Midlands Region

- For the West Midlands region, there was positive growth in GDP for three sectors in Q3 2021; the **services sector by 0.1%, agriculture, forestry and fishing sector by 3.9% and the construction sector by 4.9%.** The production sector had a contraction in GDP by 5.5%.
- There was positive growth in GDP for seven industries in Q3 2021. The highest growth reported for the West Midlands region at 27.3% was in **accommodation and food service activities. Other increases across industries include; transport** and **storage** by 2.6% and information and communication by 2.4%.
- For Q3 2021, there were contractions in West Midlands region GDP in eleven industries. The **largest decreases were in; manufacturing by 6%, electricity, gas, steam & air by 4.6% and mining & quarrying by 3.8%.**

East Midlands Region

- For the East Midlands region, there was positive growth in GDP for two sectors in Q3 2021**; the production sector by 0.1% and the agriculture, forestry & fishing sector by 1.6%.** The services sector had a contraction in GDP by 0.2% and the construction sector had a contraction by 5.9%.
- There was positive growth in GDP for eleven industries in Q3 2021. The highest increases were in; **accommodation and food services by 20.6%, arts, entertainment and recreation by 4.9% and transport and storage by 4.2%.**
- For Q3 2021, there were contractions in GDP for the East Midlands region in seven industries. The **industries with the highest contractions in GDP were; wholesale & retail: repair of motor vehicles & motorcycles by 6.1%, electricity, gas, steam & air by 4.7% and mining & quarrying by 3.6%.**

GDP change for sectors and industries for the West Midlands region and East Midlands region in Q3 2021:



Source: Office for National Statistics (ONS): GDP, UK regions and Countries: July to September 2021 – released May 2022

Foreign Direct Investment in the Midlands

Midlands Engine LEPs

At the Midlands Engine 9 LEP geography, there was a total of **330 Foreign Direct Investment (FDI) projects in 2021-22, creating a total 12,463 new jobs.**

Within the Midlands Engine LEPs, Greater Birmingham and Solihull LEP had the highest number of FDI projects with 62 and, out of 35 LEPs (due to data availability), was the 4th highest in 2021-22. While for new jobs in 2021-22, Leicester & Leicestershire LEP had the highest number with 3,467 - and this was 2nd highest out of 31 LEPs.

Midlands Engine 9 LEP breakdown for all FDI Projects, 2021-22:

	Single Site FDI Projects	Single Site FDI Projects Rank /32	New Jobs	New Jobs Rank/31	Safe Jobs	Safe Jobs Rank /8	Total FDI Project	Total FDI Project Rank /35
Black Country LEP	17	26	579	19	-	-	25	23
Coventry and Warwickshire LEP	36	6	1,534	7	-	-	45	7
Derby, Derbyshire, Nottingham and Nottinghamshire LEP	33	8	1,470	8	268	4	50	6
Greater Birmingham and Solihull LEP	49	4	2,063	6	93	5	62	4
Greater Lincolnshire LEP	25	15	1,295	9	-	-	32	16
Leicester and Leicestershire LEP	26	13	3,467	2	31	8	38	10
Stoke-on-Trent and Staffordshire LEP	26	14	793	17	-	-	33	15
The Marches LEP	20	22	1,006	14	35	7	25	25
Worcestershire LEP	15	29	256	30	-		20	31
Midlands Engine 9 LEP	**247**	-	**12,463**	-		-	**330**	-

West and East Midlands Regional Analysis

There were **242 FDI projects into the regional geography of the Midlands in 2021-22, an increase of 11.5% (+25 projects) compared to 2020-21.** Over this period, the UK overall increased by 3.3%. In 2021-22, the Midlands accounted for 15.2% of the UK total for FDI projects.

In the Midlands, there were **12,459 new jobs created from FDI projects in 2021-22. This is an increase of 89.0% (+5,867 new jobs) from 2020-21.** The UK also increased over this period by 53.2%. In 2021-22, the Midlands accounted for 14.7% of new jobs created from FDI projects in the UK – the second highest region.

Regional Breakdown for all FDI Projects and Jobs 2018-19 to 2020-21:

	FDI Projects 20-21	FDI Projects 21-22	New Jobs 20-21	New Jobs 21-22	Safe Jobs 20-21	Safe Jobs 21-22	Total Jobs 20-21	Total Jobs 21-22
Multiple UK sites	49	63	14,855	20,749	1,502	336	16,357	21,085
North East	51	71	1,373	5,843	359	1,263	1,732	7,106
North West	139	145	4,309	5,480	478	498	4,787	5,978
Yorkshire and The Humber	86	104	1,412	3,738	282	449	1,694	4,187
East Midlands	**72**	**99**	**2,149**	**6,888**	**-**	**309**	**-**	**7,197**
West Midlands	**145**	**143**	**4,443**	**5,571**	**1,861**	**300**	**6,304**	**5,871**
East of England	72	81	2,066	3,421	1,037	-	3,103	-
London	492	444	13,832	18,125	718	386	14,550	18,511
South East	163	149	2,538	4,098	3,610	1,011	6,148	5,109
South West	76	96	2,242	2,533	259	138	2,501	2,671
Scotland	92	119	3,245	4,408	442	983	3,687	5,391
Wales	72	43	1,529	1,793	6,907	2,063	8,436	3,856
Northern Ireland	29	32	1,326	2,112	-	-	-	-
Midlands Total	**217**	**242**	**6,592**	**12,459**	**-**	**609**	**-**	**13,068**
Total	1,538	1,589	55,319	84,759	18,187	7,765	73,506	92,524

Please note, due to data suppression figures are not available for safe jobs and total jobs for the East Midlands in 2020-21

FDI and European Union (EU) Split

44.5% (312 of 701 total projects) of Midlands FDI projects and 47.8% (12,118 of 25,359) of Midlands new jobs were from the EU between 2019-20 to 2021-22. These proportions for the Midlands were higher than UK-wide (38.2% of FDI projects and 34.3% of new jobs from the EU).

Source: Department for International Trade inward investment results 2021 to 2022 – released June 2022.

"The Big Brexit"

As part of the Economy 2030 Inquiry, The Resolution Foundation recently published a report titled **"The Big Brexit"**, undertaking an assessment of the scale of change to come from the UK's new relationship with the EU.

Summary of Findings

In summary, the report finds that the long-run impacts of Brexit will mean significant change for some sectors of the economy – but that the **aggregate effect will be to reduce household incomes as a result of a weaker pound, and lower investment and trade**. This adjustment will be substantial, but we **should not expect it to fundamentally alter the nature of our economy.** The study also finds that:

- The expected relative decline in UK exports to the EU compared with the rest of the world has not materialised.
- However, the **UK has suffered a broad-based fall in both openness and competitiveness** in recent years, driven by goods trade: between 2019 and 2021, UK trade openness fell by 8 percentage points. Furthermore, the UK is the only large European country to experience a decline in openness since 2020 (falling 1 percentage point).
- UK firms orientated to exporting to the EU have implemented coping mechanisms, but **longer-term adjustments may see UK-EU trade experience the expected relative decline.**
- Brexit is not expected to transform the nature of the UK economy, with only **minor impact likely on industrial structure, export specialisation and pattern of regional inequalities.** Instead, the impact of Brexit is better thought of as a broad-based reduction in workers' pay and productivity.

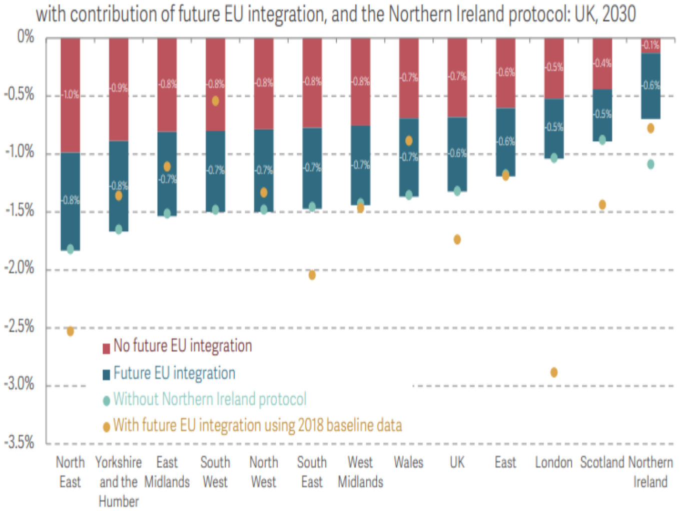
Sector Findings

- **UK competitiveness has fallen in key industries in recent years**, both for industries benefitting from the pandemic related demand such as chemicals and plastics, and those which suffered such as transport manufacturing.
- The new trading arrangements with the EU will lead to **big adjustment for some sectors, with trade barriers set to increase by more for the agriculture and services sectors** compared with manufacturing.
- There is considerable variation within manufacturing, though. Some industries are set to **gain from lower import competition (such as food manufacturing),** but others are set to see some of the biggest output shocks – resulting In lost access to important consumer markets (such as **manufacture of electrical equipment and basic metals**).
- These shifts will mean significant **labour market adjustment for the relatively small numbers of workers in the worst-hit sectors**, with **a disproportionate effect on regions with these sectoral strengths (such as the Midlands).**

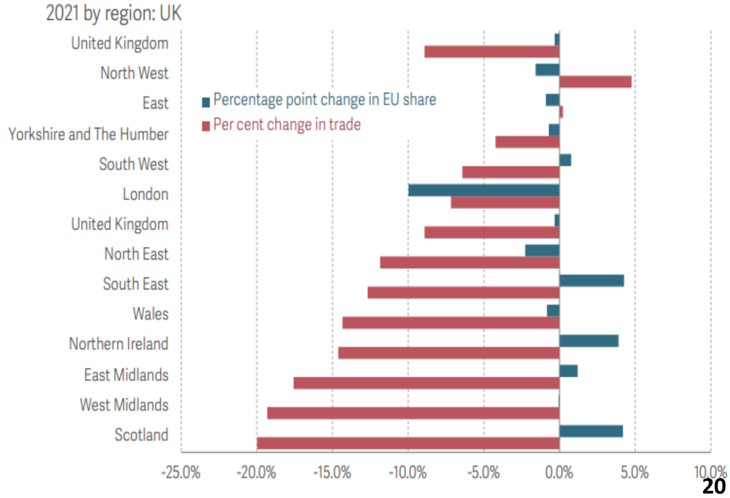
Regional Findings

- Overall it is clear that Brexit will **not help significantly with 'levelling up'**. The variation in experience sectors means that the overall impact will not be evenly spread across geographies.
- The **North East is expected to be among the hardest hit from Brexit in terms of output**, while the East of England and Scotland are consistently expected to somewhat outperform the average.
- The **East Midlands is expected to have the third largest negative out put shock of UK regions** due to Brexit, and, dependant on the scenario, the **West Midlands is around average with the 6th lowest negative output shock.**
- Evidence is also reported to re-affirm that the Midlands Engine's **fall in international trade in recent years has been worse than other regions,** and that the region is yet to adapt fast to Brexit, e.g. through capitalising on non-EU markets, unlike London.

Estimated falls in gross output by region relative to a no Brexit scenario, shock shown with contribution of future EU integration, and the Northern Ireland protocol: UK, 2030



Percentage change in regional goods exports relative to a no Brexit scenario and percentage point change in the EU market share of goods exports between 2019 and 2021 by region: UK



4. Skills

Construction Skills Outlook for the Midlands

Over a quarter of a million extra construction workers may be needed by 2026, according to the latest [Construction Skills Network (CSN) report] from the Construction Industry Training Board (CITB). The report provides insights into the UK construction economy and its future labour needs.

The data it produces highlights forecasted trends and how the industry is expected to change year-on-year, allowing governments and businesses to understand the current climate and plan for the future.

Looking at the next five years, the report acknowledges the sub**stantial recruitment and training challenges facing industry** and has made the following key predictions for 2022 - 2026:

- **266,000 additional workers will be required to meet UK construction demand by 2026** (53,200 workers per year, up from last year's figure of 43,000).
- **UK-wide growth:** All nine English regions plus Scotland, Wales and Northern Ireland are set to experience growth resulting in increased demand for workers.
- **Recruitment:** As demand soars most affected sectors will be Private Housing, Infrastructure and Repair and Maintenance (R&M).
- **2.78 million:** Workers employed in construction industry by 2026 if projected growth is met.

The report suggests the **largest increases in annual demand will be for occupations such as carpenters/joiners and construction manage**rs, along with a range of technical roles. These include electronics technicians, civil engineering technicians, estimators and valuers, as well as office-based support staff.

The predictions for the Midlands are highlighted on the right:

East Midlands:

The volume of construction in the East Midlands will grow at the same as the UK forecast:

3.2%.

Key sectors for future growth
- **Private Housing**
- **Infrastructure**
- **Industrial**

Strongest recruitment requirement levels
- **Construction process managers (1,020 per year)**
- **Wood trades and interior fit-out (530 per year)**
- **Painters and decorators (500 pe year)**

Major Projects include
- **Midlands Main Line railway upgrade (£500m)**
- **Medium Schemes Framework 4 (£1bn)**
- **Fairham Pastures (£750m)**

West Midlands:

The volume of construction in the West Midlands is slightly below the UK forecast of 3.2% at annual average rate of approximately

2.8%.

The biggest gains in output are set to come from
- **Private Housing**
- **Infrastructure**
- **Repair & Maintenance**

The occupations with the strongest additional recruitment requirement levels
- **Non-construction professional, technical, IT, and other office-based staff (1,460 per year)**
- **Other construction professionals and technical staff (860 per year)**
- **Construction process managers (640 per year)**

Major Projects include
- **HS2, major civils contracts signed off (£12bn)**
- **Light rail extensions (£481m)**
- **Birmingham Health Innovation Campus (£210m)**
- **Levelling Up funding 10 schemes (£180m)**

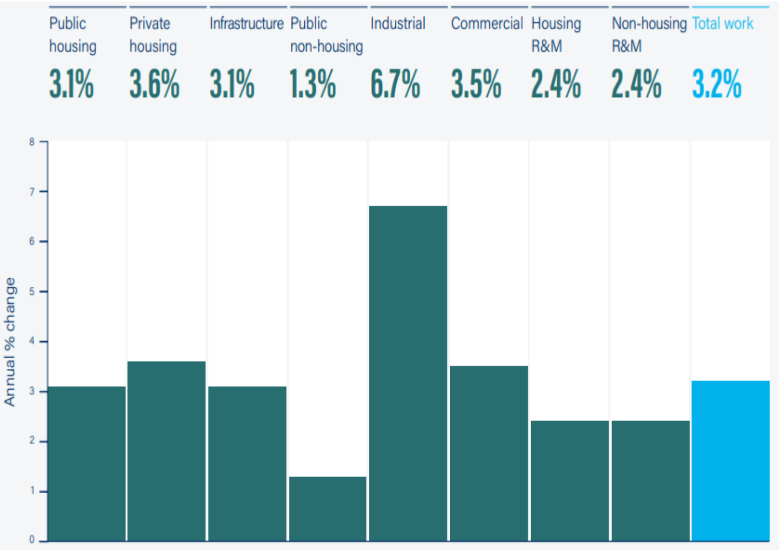
Source: [CSN Industry Outlook - 2022-2026 - CITB]

East Midlands Output Forecast:

In the East Midlands, the **volume of work will grow by an annual average rate of 3.2%, which is the same as the UK rate.** All sectors will see growth over the forecast, with new work being stronger than Repair & Maintenance (R&M), and most follow a pattern of higher growth in the earlier years, which dips to be closer to the longer-term growth trends, towards the latter years. The **industrial sector has the highest annual average growth rate of 6.7%.**

Although the private housing and infrastructure sectors have lower average growth rates, they are forecast to show the largest gains in work. **Private housing output has an estimated increase of £453m over the forecast, with infrastructure increasing by £354m**, while the industrial sector is just behind with an increase of £262m.

East Midlands - Annual average output growth by sector, 2022-2026:

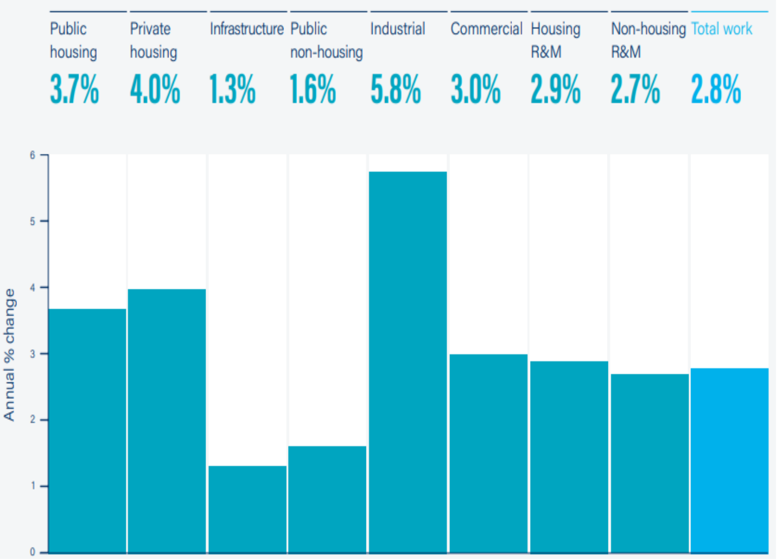


West Midlands Output Forecast:

In the West Midlands, **the volume of work will grow by an annual average rate of 2.8%,** which is just below the UK rate of 3.2%. All sectors will see growth over the forecast, with new work being similar to R&M, and most following a pattern of higher growth in the earlier years, which slows down towards the latter years.

While the industrial sector has the highest annual average growth rate at 5.8%, it has a relatively low share of total output at just over 2%. **The biggest gains in output are set to come from the private housing (+£619m), non-housing R&M (+£394m) and housing R&M (+£382m) sectors**, accounting for two thirds (67%) of the total output increase

West Midlands - Annual average output growth by sector, 2022-2026:



Source: Experian

Construction Workforce:

Construction remains vital in supporting the backbone of the UK economy. The future growth projections above are encouraging after the stalling effects of the pandemic. However, this is set against a current backdrop of higher energy costs, material shortages, and associated price inflation that is currently hitting companies across the sector. However, **recruitment and developing a highly skilled workforce will be by far the construction industry's biggest challenges over the next five years.**

For construction, the strong demand for work from the pandemic combined with the end of free movement and lower numbers of self-employed workers, are factors that have contributed to faster wage increases and skilled worker shortages. Working with industry and governments, **CITB identified a number of priorities, such as bricklaying traineeships to help improve the number of learners that are entering construction for this trade**, along with support to better **understand the skills required for increasing use of digital technology and helping the industry deliver on net zero ambitions.**

Looking forward, CITB expect workforce growth rates to **slow to 1.3% in 2022**, and over the five-year period to 2026, to **average 0.8% a year as output growth slows** and productivity gains kick in. Based on the forecast, construction employment will reach 2.78 million by 2026, which is slightly below the previous workforce peak seen in 2007 – 2008.

Source: [CSN Industry Outlook - 2022-2026 - CITB]

East Midlands Annual Recruitment by Occupation

The **average annual recruitment requirement in the East Midlands is set to average 2.3% per year**, based on 2021 workforce levels, which is above the UK figure of 2.0%. This means the construction industry would have to **increase current recruitment by 3,870 new workers each year** to deliver the expected work between the start of 2022 and end of 2026.

West Midlands Annual Recruitment by Occupation

The **average annual recruitment requirement in the West Midlands is set to average 2.7% per year**, based on 2021 workforce levels, which is higher than the UK figure of 2.0%. This means the construction industry would have to **increase current recruitment by 6,010 new workers each year** to deliver the expected work between the start of 2022 and end of 2026.

Annual recruitment requirement by occupation for the East Midlands and West Midlands:

	East Midlands ARR as % of 2021 Workforce	East Midlands ARR value per year	West Midlands ARR as % of 2021 Workforce	West Midlands ARR value per year
Senior, executive and business process manager	-	-	0.7%	150
Construction project managers	-	-	4.6%	110
Other construction process managers	6.9%	1,020	3.6%	640
Non-construction professional, technical, IT, and other office-based staff	0.6%	140	4.2%	1,460
Construction trades supervisors	5.0%	80	3.3%	140
Wood trades and interior fit-out	3.5%	530	0.7%	140
Bricklayers	4.5%	230	1.4%	70
Building envelope specialists	3.0%	170	1.9%	120
Painters and decorators	8.5%	500	1.7%	100
Plasterers	-	-	3.9%	110
Roofers	3.4%	50	-	<50
Floorers	-	-	-	-
Glaziers	-	-	-	<50
Specialist building operatives nec*	-	-	2.5%	100
Scaffolders	-	-	-	<50
Plant operatives	8.7%	350	-	<50
Plant mechanics/fitters	7.3%	280	3.0%	180
Steel erectors/structural fabrication	-	-	-	<50
Labourers nec*	3.1%	180	3.6%	440
Electrical trades and installation	-	-	3.8%	600
Plumbing and HVAC Trades	0.4%	50	2.4%	290
Logistics	3.8%	80	-	<50
Civil engineering operatives nec*	-	-	1.9%	50
Non-construction operatives	-	-	-	-
Total (SIC 41-43)		**3,660**		**4,700**
Civil engineers	-	-	-	<50
Other construction professionals and technical staff	-	-	4.5%	860
Architects	9.5%	90	-	<50
Surveyors	2.4%	120	3.4%	270
Total (SIC 41-43, 71.1, 74.9)	**2.3%**	**3,870**	**2.7%**	**6,010**

Source: CSN Industry Outlook - 2022-2026 - CITB

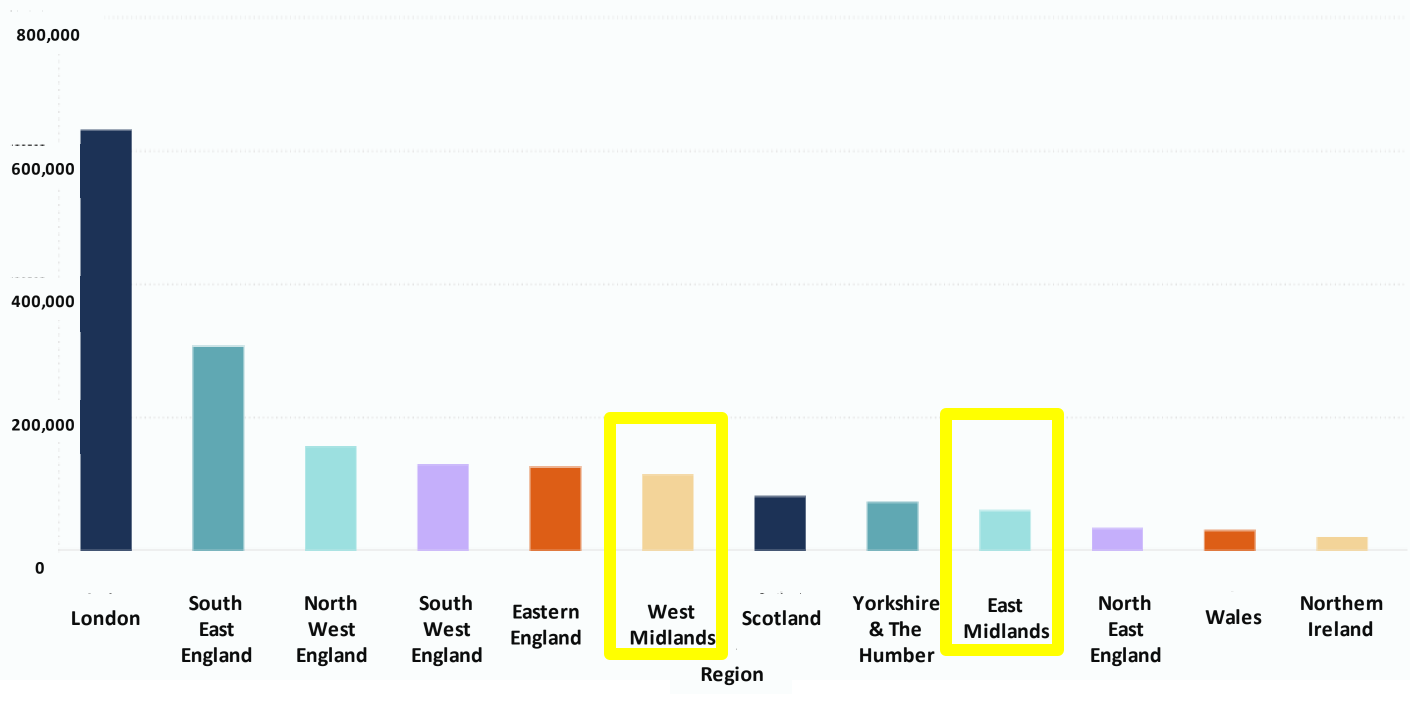
Digital Skills and Jobs

Despite efforts to shed light on labour market dynamics in and around tech over the last few years, there remains a dearth of data around skills, progression and up-skilling opportunities and career trajectories for tech leaders. The lack of this data could be leading to less informed decisions on the part of both employers, and employees. The [Tech Nation's People and Skills Report 2022] aims to address many of these gaps:

- There were over **2m vacancies for tech roles in the UK between May 2021 and 2022**, from a total 14.85n vacancies across the economy as a whole, which includes part time and contract work.
- **4.7m people in the UK now work in the digital tech economy**, up from 2.18m in 2011
- In the UK, over 36% of people working in the tech economy have non-technical roles, such as Product Management, User Experience, and Sales. The **demand for a Product Manager in tech has grown by over 8 times over the past yea**r whilst the demand for Product Owner has grown by 6 times.
- On average, **tech salaries are nearly 80% higher than salaries for non tech jobs in the UK**, at £62,000 compared to £35,000 as of Q1 2022.
- Demand remains high for digital talent with the **number of advertised tech roles being 42% higher in 2021 than in 2019 across the UK.**
- **Data and Architecture are the most in demand tech skills** having grown over 1000% in demand from 2019 to 2021.
- Almost **80% of advertised tech roles are at the senior level**, potentially obstructing those at an earlier stage in their career from getting relevant experience in tech
- According to YouGov and Tech Nation, **64% of tech employees believe their tech skills are essential to job security**.
- **44% of UK respondents believe having tech skills are essential for job security**; 64% of those working in tech agree. With the fast pace of change in tech, 26% believe upskilling themselves in a new digital/tech skill will allow them to earn more in the future.
- London is the 2nd best place to live and work globally in tech based on salary versus cost of living data. Across 29 of the UK cities, **Birmingham was 3rd highest, Coventry, 7th highest, Leicester 9th highest. At the other end of the scale, Derby was 3rd lowest and Nottingham was 5th lowest.**

Supply and Demand in the Midlands

As seen in the following chart, the South East, North West and South West England perform strongly for hiring between May 2021 and 2022. The **West Midlands came in towards the middle of all regions and the East Midlands was the forth lowest.**



Source: [People and skills report 2022 - Tech Nation]

Digital Skills and Jobs

Tech Vacancies in the Midlands

Out of 54 local areas, **Birmingham was 2nd highest for the number of tech vacancies between May 2021-22 with 40,911, although this was almost half when compared to Manchester with 79,432.**

Within the Midlands, **Nottingham came in 11th highest with 14,808 tech vacancies. Leicester was 15th highest with 7,860 tech vacancies** between May 2021-22.

At the other end of the scale, **Wolverhampton came in at 40th with 2,706 tech vacancies. Derby came in 35th with 3,888 tech vacancies and Worcester came in 32nd** for tech vacancies in May 2021-22.

The table to the right shows the total number of tech vacancies by local area between May 2021-22.

Tech Nation Conclusions

The resounding message from this report is the **continued growth of opportunities for everyone to engage in the tech economy**; a driver of the UK economy, and a permeating force for productivity, innovation and change.

Growth inevitably brings challenges - without **the right mix of people, capital and innovation, the realised positive growth trajectory for UK tech will not be seen as hoped.** As such, it is a responsibility of employers, hiring organisations, individuals and support organisations to **raise awareness, promote upskilling and in work training, and open doors to those with less experience in tech to pave the way to a brighter tech future for all.**

UK cluster (excl London)	Total number of tech vacancies (May 2021-2022)
Manchester	79,432
Birmingham	**40,911**
Bristol	36,006
Reading	25,110
Edinburgh	23,747
Maidstone	23,076
Leeds	18,484
Cambridge	16,680
Milton Keynes	15,501
Belfast	14,939
Nottingham	**14,808**
Liverpool	12,975
Oxford	11,188
Sheffield	9,896
Leicester	**7,860**
Swindon	7,551
Norwich	7,264
Guildford	6,635
Slough	6,576
Warrington	6,528
Cardiff	6,481
Bournemouth,	6,438
Brighton and Hove	6,366
Coventry	**6,288**
Ipswich	5,983
Glasgow	5,401
Northampton	5,329
Peterborough	5,325
Portsmouth	4,797
Crawley	4,498
Winchester	4,362
Worcester	**4,328**
Exeter	4,308
Stevenage	4,233
Derby	**3,888**
Newcastle upon Tyne	3,740
Preston	3,486
Luton	3,270
Plymouth	3,085
Wolverhampton	**2,706**
Aberdeen	2,689
Bedford	2,636
Salford	2,632
Sunderland	2,571
Swansea	2,556
Colchester	2,165
Chelmsford	1,854
Bradford	1,634
Basildon	1,593
Dundee	1,546
Middlesbrough	1,241
Chichester	897
Rochdale	785
Wirral	566

Source: People and skills report 2022 - Tech Nation

Net Zero Jobs

The **Economic Inquiry 2030: Net Zero Jobs report** explores the impact that the net zero transition will have on the UK labour force, by setting out the types of 'green' and 'brown' jobs that are most likely to experience change, analysing core differences in the workers that are employed in these jobs, and in the type of tasks that they typically perform.

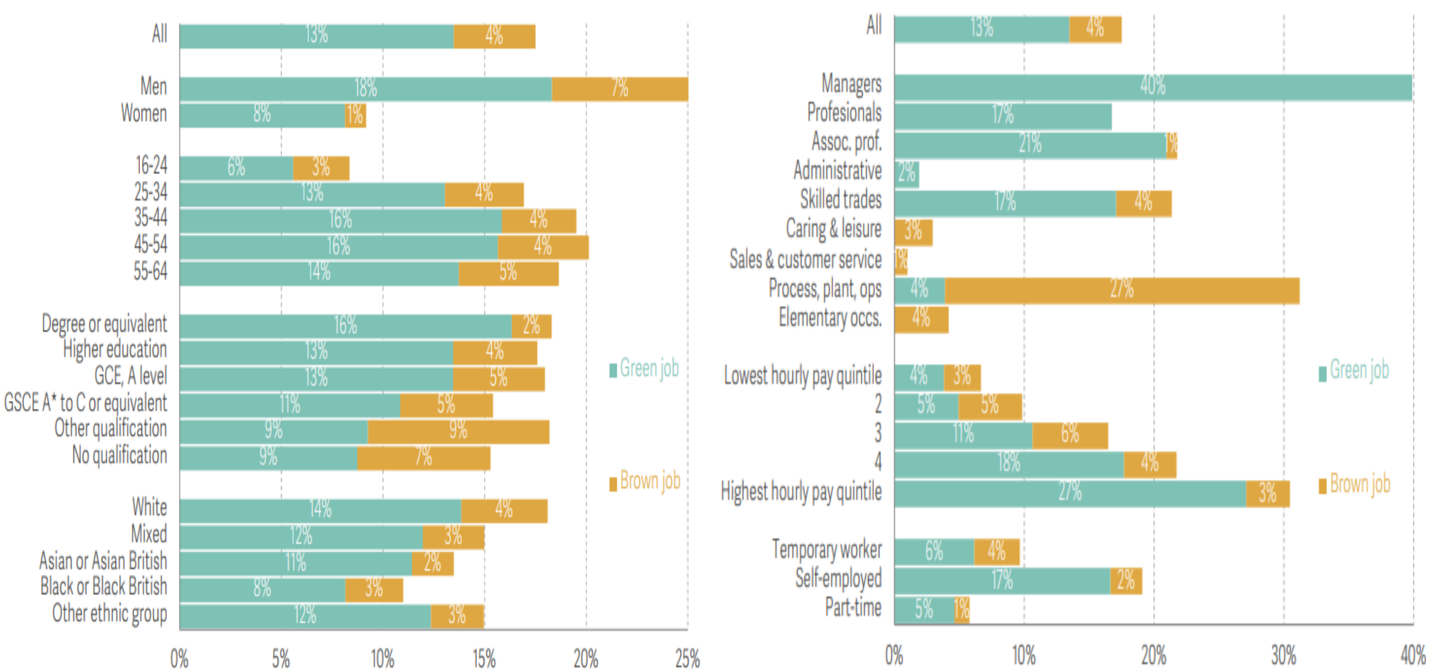
To understand what the net zero transition will mean for employees, it is important to first make the distinction between green jobs and brown jobs. **Green jobs are currently more concentrated in London** with 16% of total green jobs. They are typically seen in higher qualified occupational groups with 40% of employment being in managerial roles. Men are also more likely to work in green jobs (18% for men and 8% for women).

The overall share of green jobs to brown jobs hasn't changed over the last decade, however to meet emission targets **there must be a larger share of green jobs to brown jobs.** The National Grid estimates an additional 260,000 energy workers are needed to meet 2050 targets. The limited growth in green jobs is seen by people who make the transition from non-green to green jobs rather than young people directly going into green jobs.

Based on data from the 2010s, studies have shown that there will be a **small negative impact on employment in energy-intensive sectors but this will be counteracted by increased innovation in clean technologies** which overall will lead to a net positive economic growth and new jobs over time. The case study of Ruhr's regional coal mining in Germany is a clear example of how one of the most energy and polluting intensive sectors can still have a successful transition towards net zero with minimal unemployment. Ruhr's regional coal mining focused on understanding the labour demand and supply and made policies accordingly which would reduce structural unemployment such as funding environmental projects and assisting workers to find relevant work. **Having a strong framework based on both a top-down and bottom-up approach will be necessary for a successful transition to net zero.**

In addition, green workers tend to be most prevalent in the highest-paid occupations: including managerial (40% of workers), professional (17% of workers) and associate professional (21% of workers). **Brown jobs, however, are most concentrated in process, plant and machine operative occupations (27% of workers).** These findings are unsurprising when we consider the four-digit occupational classifications that define green and brown jobs, but they also help explain why more than a quarter of the highest-paid workers are in green jobs, with brown jobs tending to be concentrated in the middle of the pay distribution. **More than one-quarter of the highest-paid workers are in green jobs.**

Proportion of workers aged 16-69 in green or brown jobs, by personal characteristic: UK, 2019:



This report definition of green and brown jobs is the following -

*The classification of green jobs is based on green occupations identified in the O*NET database. O*NET classifies any occupation that will be positively affected by greening as a green job.*

Brown jobs are classified as occupations that are particularly prevalent in sectors with high emissions intensity.

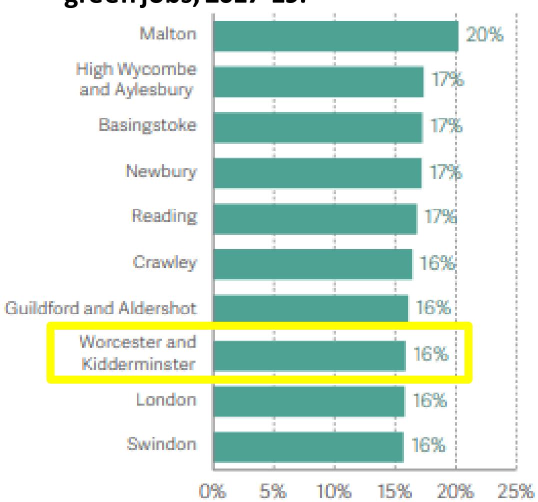
Source: M Broome, S Cellini, K Henehan, C McCurdy, C Riom, A Valero & G Ventura, Net zero jobs: The impact of the transition to net zero on the UK labour market, The Resolution Foundation, June 2022

Net Zero Jobs

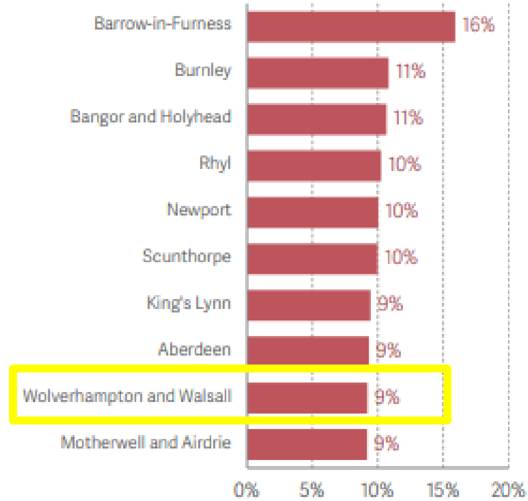
As seen in the charts to the right, within the Midlands, **Worcester and Kidderminster were in the top 10 areas for the highest share in green jobs.**

In contrast, **Wolverhampton and Walsall were in the top 10 areas for the highest share of employment in brown jobs.**

Ten travel to work areas (TTWAs) with the highest share of employment in green jobs, 2017-19:



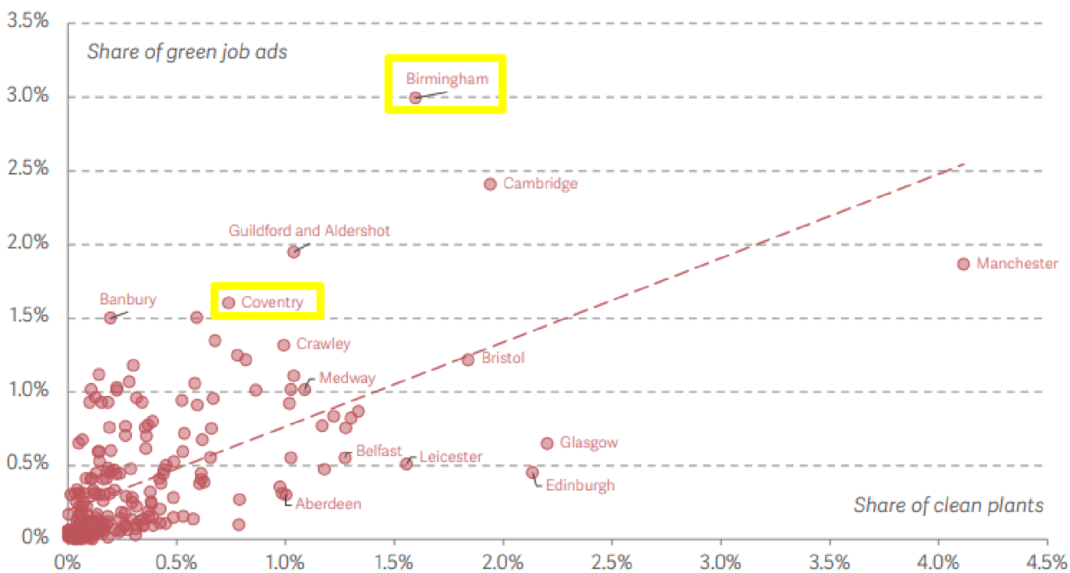
Ten TTWAs with the highest share of employment in brown jobs, 2017-19:



The Resolution Foundation, June 2022

Regional share of green job ads (2019) and share of clean firm plants (2021), UK:

The chart to the right plots the regional share of total UK 'core green task' job vacancies against the regional share of clean firm plants, showing that there is a **positive correlation between these two measures.** This suggests that there is some link between the **location of clean firms and the places where new green jobs are emerging.**



The Resolution Foundation, June 2022

Conclusions

With this in-mind, research suggests that **"doubling down" on the net zero transition with a strategic growth strategy will address regional disparities in economic activity as less productive regions seem to be specialized in certain technologies.** Policy-makers will have to assist firms and the workforce to fill the skills gap for a net zero economy. Currently, there are several barriers for firms to retrain such an investment and time. The UK tends to underinvest when it comes to retraining compared to its European counterparts.

The transition to net zero will have to be factored alongside worldwide events. The impacts of Brexit and Covid-19 will still be felt for years to come which will make **providing quality green jobs for underrepresented groups quite challenging.** There will need to be key policies implemented to address the friction between businesses and workers that mismatch demand and supply. The transition to net zero cannot be viewed in isolation and must be considered along with world events and technological advances. **The transition to net zero will require a bottom-up approach that first defines and identifies the skills required for green jobs. Policy-makers have learnt from past major structural employment changes and thus have created a suitable framework that will ensure there is minimal structural unemployment.** Current supply chains will have to be adjusted with cleaner technologies and innovation.

Source: *M Broome, S Cellini, K Henehan, C McCurdy, C Riom, A Valero & G Ventura, Net zero jobs: The impact of the transition to net zero on the UK labour market, The Resolution Foundation, June 2022*

5. Impact of Energy Price Rises on Business

Impact of Energy Price Rises on UK Business

Gas and Electricity Prices

Gas prices have been increasing rapidly in the last few months. **Energy prices hit their peak in March**, when gas prices hit a high of £314.52 per therm (a therm is around 29kwh). As of the latest update by OFGEM on the 25th April, gas energy prices were £219.46.

Much like gas prices, electricity prices have also been rapidly rising. **Electricity prices hit their highest in December 2021, when they reached £240.58 per MWh.** As of the latest update from OFGEM, current electricity prices are at £195.12 MWh.

Rising global wholesale energy prices are linked to:

1. **Russia's invasion of Ukraine**
2. **Gas shortages**
3. **Increased demand**
4. **Nord Stream 2**

Rising UK energy prices:
Whilst we are in the midst of a global energy crisis, the UK is also suffering from additional issues:

1. **Low winds -** Over the past year, low winds have meant lower renewable energy generation. This, coupled with outages at some nuclear power stations, has led to a higher percentage of electricity production through using gas.
2. **National Grid -** A fire at a National Grid sight in Kent, knocked out a power cable that runs between the UK and France, used to import electricity from the continent. This is not expected to be fully functionating again until 2023.
3. **Gas reserves -** The UK has the lowest gas reserves within Europe; this means there is little opportunity to stockpile gas to use it when most needed. Stockpile capacity is equivalent to roughly 2% of the UK's annual demand, compared with 25% for other European countries and as much as 37% in Europe's four largest storage holders.

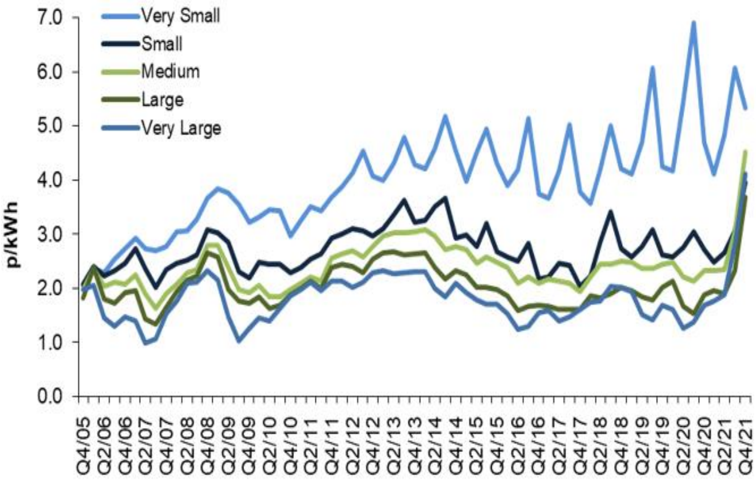
Energy Price Caps

UK households have been hit with higher energy bills after the energy price cap on standard variable rate tariffs (SVTs) increased by 54% as of April. However, the price cap does not extend to business energy, meaning that **suppliers can increase their out of contract rates by as much as they see necessary to cover their increased costs and remain profitable**. This has seen out of contract rates (also known as deemed rates) rise by an average of 100% since August 2021. This means any business which lets a fixed rate deal expire without arranging a new one could see huge price hikes even though they are using no more energy than before.

Energy Rates by Volume of Consumption

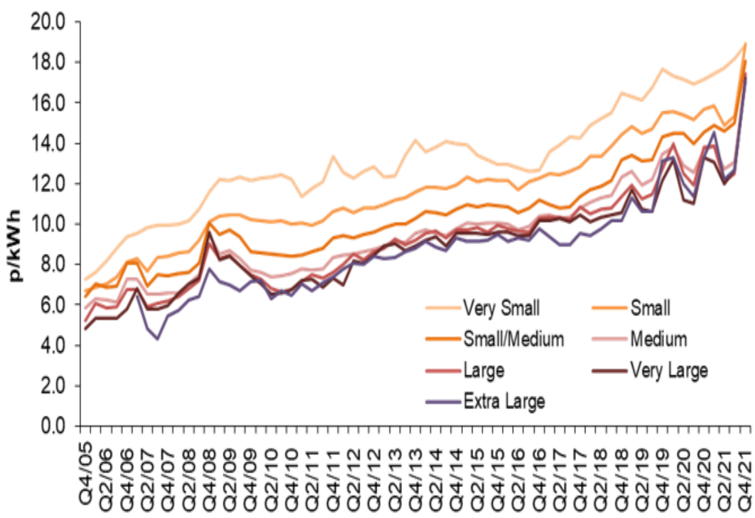
Businesses consuming under 278 MWh or very small consumers, on average pay 5.34 pence per kWh, comparative to very large consumers which consume over 277,778 MWh per year which were paying an average of 4.11 pence per kWh.

Average non-domestic gas prices, including the Climate Change Levy (CCL):



Very small consumers – consuming under 20 MWh per year- were likely to pay the highest electricity price in Q4 of 2021 at 18.84 pence per kWh. Whereas extra-large consumers- consuming over 150,000 MWh annually- paid on average 17.07 pence per kWh.

Average non-domestic electricity prices, including Climate Change Levy (CCL):



Between 2020 and 2021, **the average price of electricity per kWh increased by 11.8% and gas increased by 24.4%. Cornwall Insight in forecasting that SMEs could be facing a gas bill rise of around 250% in Q1 of this year comparative with Q1 of last year.**

Source: City-REDI University of Birmingham

Impact of Energy Price Rises on Midlands Business

Energy Use by Sector

The type of industry and the way businesses use energy will determine the amount of energy used each year. When it comes to heating business premises, the **energy efficiency of the building will also play a part.** The top energy consumers by industry include:

- Commercial & miscellaneous services (169,972,450 MWh)
- Public administration (64,883,770 MWh)
- Manufacturing & industrial services (42,042,450 MWh)

Impact on the Midlands

There are approximately 373,000 micro and small businesses in the Midlands, with these businesses making up 98% of the Midlands Engine total business count. **Energy prices potentially rising by 250% in the first quarter of this year will drastically impact their ability to continue to operate at current capacities**. If energy prices continue to rise at such a rate many businesses in the region may be forced to reduce operations or raise prices.

Currently, according to analysis from Tyl, as can been seen below, the **average business within the West Midlands is spending £3,686 and the average business in the East Midlands is spending £2,751 on their annual energy bills**. Across the UK regions, the West Midlands was 5th highest region and the East Midlands was the 3rd lowest region for annual energy bills. Yorkshire and The Humber was the highest region for annual energy bills at £5,040 down to the South East at £2,367.

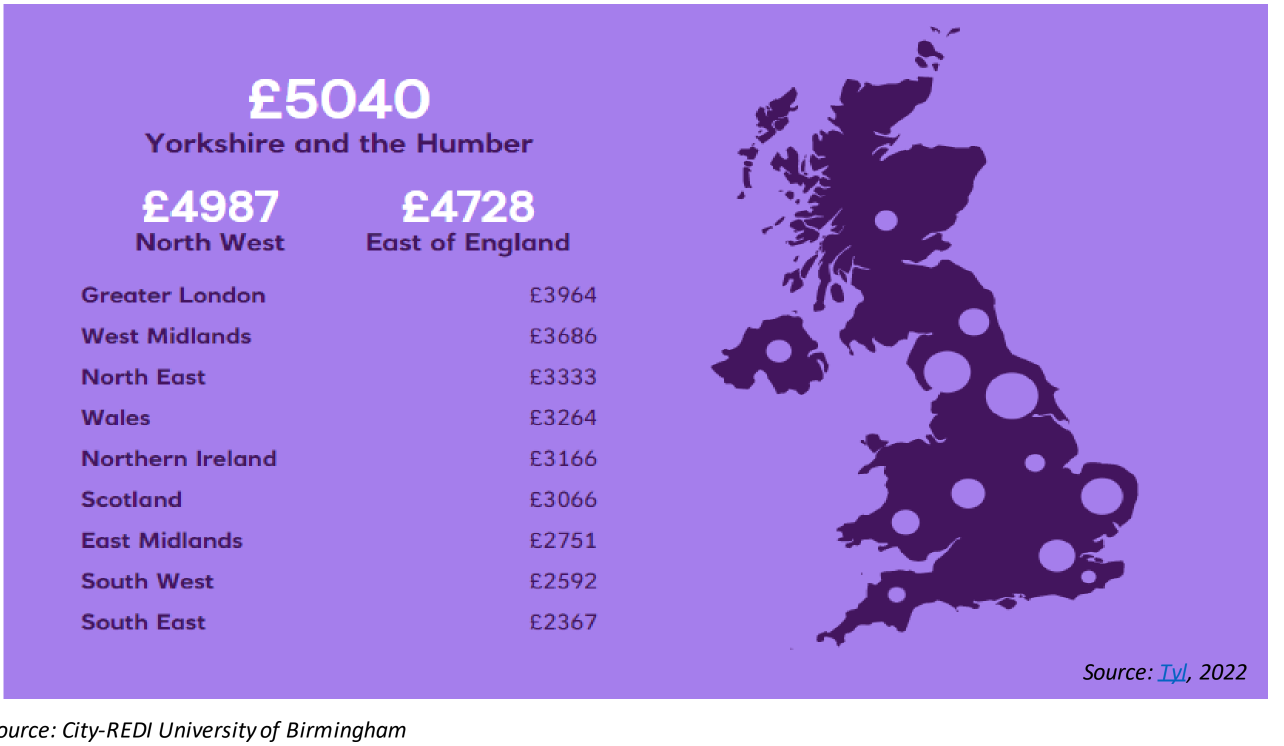
Conclusions

Rising energy prices could see these figures climb even further, especially following the **energy price increases expected later this year in October.** Unlike on domestic energy prices, there is no energy price cap on business energy rates. According to 70% of business owners surveyed, rising energy prices will also continue to stifle their growth. This **stifling of growth alongside protracted high inflation could lead to stagflation in the region.**

This **could be particularly acute in the Midlands as the industrial make-up of the Midlands was highly impacted by the pandemic,** vastly reducing growth, compared to other UK regions. Some of these large sector employers in the region, such as the automotive industry, are also still grappling with inflation caused by other factors such as shortage of raw materials, supply chain bottlenecks and Brexit increasing transactional costs. **Rising energy prices will likely force many businesses in these sectors to increase prices and this will reverberate across all supply chains.**

Rising energy prices are increasing at a faster rate in UK comparative to other countries. Inflation rising at a higher rate in the UK than in other countries, will lead to **real term increases in prices comparative to other countries.** The Midlands is one of the UK's highest exporters of goods and inflation rises will reduce the comparative advantage of firms in the region compared to firms internationally**. As a result, exports may fall**.

Annual business energy bills by region:



Source: City-REDI University of Birmingham

6. Census 2021 - Population

Midlands Population

The **usual population in the Midlands Engine area was 10,371,800 on Census Day** (21st March 2021), an **increase of 6.2% (+601,621) when compared with Census Day 2011.** England-wide, the population increased by 6.6% to 56,489,800 on Census Day 2021. Notably, in the Midlands Engine, **there were four local authorities where the population has decreased since the Census in 2011:** Chesterfield (-0.2%), Newcastle-under-Lyme (-0.5%), Staffordshire Moorlands (-1.3%) and North East Lincolnshire (-1.7%). At the other end of the scale, within the Midlands Engine, the **largest increase in population was in Birmingham (+71,855) – this was also the biggest change across the country.** This was followed by Leicester (+38,761 – 12th highest increase out of all areas) and Sandwell (+33,837, 18th highest out of all areas).

The Midlands Engine area population is split into **5,269,900 females** (+6.4%, +316,929 since Census Day 2011) and **5,102,200 males** (+5.9%, +284,992) since Census Day 2011). In England, there were 28,833,500 females (+7.0%) and 27,656,300 males (+6.1%).

In the Midlands Engine area there were **4,288,500 households with at least one usual resident** on Census Day 2021.

Total Population Age Breakdown

As seen in the following table, the **Midlands Engine area followed the national trend where there were declines in five age bands;** aged 4 years and under (-6.3%, Eng. -7.3%), 15-19 years old (-3.8%, Eng. -3.6%), 20-24 years old (-3.7%, Eng. -5.0%), 40-44 years old (-13.1%, Eng. -7.9%) and 45-49 years old (-9.8%, Eng. -7.1%).

Age breakdown on Census Day 2021 compared to Census Day 2011:

	Midlands Engine 2011	Midlands Engine 2021	Midlands Engine % Change	England % Change
All persons	**9,770,179**	**10,371,800**	**6.2%**	**6.6%**
Aged 4 years and under	599,250	561,300	-6.3%	-7.3%
Aged 5 to 9 years	551,773	622,100	12.7%	12.6%
Aged 10 to 14 years	582,080	634,700	9.0%	10.8%
Aged 15 to 19 years	643,152	618,500	-3.8%	-3.6%
Aged 20 to 24 years	668,934	643,900	-3.7%	-5.0%
Aged 25 to 29 years	618,204	643,300	4.1%	1.8%
Aged 30 to 34 years	584,884	684,500	17.0%	12.6%
Aged 35 to 39 years	623,113	657,000	5.4%	6.9%
Aged 40 to 44 years	712,032	618,800	-13.1%	-7.9%
Aged 45 to 49 years	715,495	645,700	-9.8%	-7.1%
Aged 50 to 54 years	626,697	726,300	15.9%	14.9%
Aged 55 to 59 years	569,402	706,100	24.0%	27.0%
Aged 60 to 64 years	603,950	609,000	0.8%	2.6%
Aged 65 to 69 years	495,463	528,200	6.6%	10.3%
Aged 70 to 74 years	397,806	534,800	34.4%	36.8%
Aged 75 to 79 years	319,726	402,400	25.9%	22.1%
Aged 80 to 84 years	239,727	277,200	15.6%	13.4%
Aged 85 to 89 years	145,637	165,800	13.8%	12.4%
Aged 90 years and over	72,854	92,100	26.4%	23.4%

Population Density

Since Census Day 2011, across the Midlands Engine area **the number of residents per square kilometre decreased in four local authorities;** North East Lincolnshire (-14), Chesterfield (-3), Newcastle-under-Lyme (-3) and Staffordshire Moorlands (-2). A further two local authorities remained the same as 2011: Derbyshire Dales and High Peak.

The Midlands Engine area, at **380 residents per square kilometre ,was below the England-wide figure of 434 residents per square kilometre.**

Source: Office for National Statistics - [Population and household estimates, England and Wales: Census 2021](#) – released June 2022

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