



**MIDLANDS
ENGINE**

Observatory

MIDLANDS ENGINE

REGIONAL ECONOMIC IMPACT MONITOR

EDITION 25: APRIL 2022

Executive Summary

This month's Midlands Engine Economic Impact Monitor comes at a time of growing challenges related to the **cost of living and the cost of doing business**. Exacerbated by domestic tax increases, global shocks are driving high inflation, making it tougher for businesses and communities to get by. The impact on Midlands Engine people and businesses is a common theme throughout this monitor, specifically:

- Section 3 highlights the **most vulnerable places in England** – most likely to be hit hardest by the cost of living crisis.
 - The Cost of Living Vulnerability Index identifies several local areas in the Midlands Engine as at particular **risk, including Sandwell, Leicester, Wolverhampton, Birmingham, Walsall, Coventry and NE Lincolnshire**.
 - The Midlands Engine has a higher rate of fuel poverty than England overall: **16.5% of households in the Midlands Engine area were fuel poor in 2020 compared to 13.2% across England**.
 - Overall in the UK, 87% of people surveyed stated that their cost of living had risen in the previous month.
- Businesses are also continuing to stress the **impact of increasing costs, particularly for energy, people and materials**. This, affecting all sectors, is damaging competitiveness, cashflow and, for some, threatening existence.
 - Anecdotal evidence of sustained price increases is backed up by survey data, for example ONS suggest **31.4% of West Midlands businesses and 29.9% of East Midlands businesses reported the main concern for business was “inflation of goods and services prices”** in April 2022.
 - Financial difficulty from increasing costs may be part of the reason for **increasing company insolvencies across the UK** in recent months. There were around **87,000 company dissolutions in the Midlands Engine in 2021, higher than both 2020 and 2019**. Business creation is still disproportionately higher in London and the South East compared to other regions of the UK.

Despite being beset by cost and price difficulties, there **remains reason for optimism** given resilience in the economy.

- The West Midlands Business Activity Index increased from 58.4 in February 2022 to 59.1 in March 2022, this was the **fastest rate of growth in nine months**. The East Midlands Business Activity Index increased from 59.6 in February 2022 to 60.5 in March 2022. The latest increase in business activity was the **fastest seen since July 2014**.
- Across the Midlands Engine in 2021, **37.6% (2.36m) of the working age population (16-64 years old) were educated to NVQ 4+ qualification levels – which are the highest levels on record**.
- There were 297,970 claimants aged 16 years and over in the Midlands Engine area in March 2022, which is a **decrease of 1,375 claimants since February 2022**. This equates to a decrease of 0.5%, in line with England's rate.
- The unemployment rate for the Midlands Engine was approximately 4.6% compared to 4.5% for the UK in 2021. For the Midlands Engine this is a **decrease of approximately 0.5pp compared to the UK by 0.2pp since 2020**.

However, this month's monitor also reflects that the **labour market remains a key barrier** to Midlands Engine growth and prosperity – for both employers and potential employees. Regional businesses (demand side) continue to **highlight difficulties in recruiting sufficient numbers of quality staff**, while meeting the flexibility and wage demands of many prospective employees. Whereas the employee (supply) side demonstrates a **persistent gap between skills required and the skills held by the population**.

- For the Midlands Engine area to reach the UK proportion of 43.5% requires an **additional 367,390 people to gain an NVQ4 qualification**.
- Important **intra-regional employment and skills disparities exist in the Midlands Engine**; for example the lowest rate of local authority unemployment is 1.4% (Wychavon), compared to the highest rate of 12.2% (Boston).
- Beyond just employment, the region needs to create **high quality and higher paid employment**.
- The Midlands is also particularly at **risk to net zero transition** given the high concentration of heavy manufacturing industries. Highlighting the importance of a just transition, work by LSE the Placed-Based Climate Change Action Network suggests that, in the Midlands Engine, **499,115 jobs require upskilling and 519,785 jobs will be in demand**.

Many of the considerations outlined are economy-wide challenges, but will no doubt **affect different industries and sectors differently**. Several recent data or report releases reflected in the April monitor demonstrate the importance of sector-specific perspectives, and a **sector / cluster specific evidence and focus within policy development**.

- In 2021, the Midlands exported £45.6bn worth of goods and imported £60.5bn, a trade in goods deficit of £14.9bn, a **large increase on the previous year**. As reported in the recent Brexit Monitor, the reason for modest growth or decline in exports across areas of the Midlands appears tied to its **reliance on trade of machinery and transport equipment**.
- A positive story is told about the Midlands' logistics and warehousing sector by ONS, particularly the **“Golden Logistics Triangle”** – including key parts of Leicestershire, Warwickshire, Nottinghamshire and Staffordshire.
- Challenges for the retail and visitor economy sectors as part of **ever-changing high streets** are laid bare.

Policy Considerations

THEME	KEY INSIGHTS
Trading Conditions	<ul style="list-style-type: none"> Midlands businesses are still faced with increasing costs from energy prices, talent and labour shortages, supply chain disruption, VAT for hospitality returning to 20% and rampant inflation with key sectors still needing time recover from two years of COVID-19 pandemic. The rising cost of living and increasing inflation is causing concern and may lead to severe impacts. Raw materials and energy are impacted and may start to make some businesses unsustainable. This is due to an often-limited ability to pass on costs to consumers. This could dent confidence in businesses and make them ever more cautious, deferring decisions, and delaying possible investments. Energy prices continue to put significant pressure on SMEs, especially those in the manufacturing sector that have significant energy usage. Businesses have told the region's Growth Hubs that the proportion of expenditure on energy bills is resulting in negative adjustments to business growth projections over the next few years. SMEs consulted recently stated that cashflow is coming under pressure, with some organisations spending 20% of their revenue on energy costs. The increase in wholesale energy has however driven a number of businesses to explore and adopt energy efficiency measures in an effort to curb expenditure on their energy bills. Many businesses are also still reporting supply issues with increased costs, delays a result. The lack of components in some manufacturing businesses meaning products cannot be completed, leading to cancelled orders. This is one of a number of contributing factors for some businesses struggling with cashflow issues. A lack of other available materials is also frustrating businesses as they are unable to fulfil orders. In particular, metals, timber and electronics components are in short supply.
Labour Market	<ul style="list-style-type: none"> Regional businesses, particularly in unskilled roles and retail are highlighting difficulty in recruiting sufficient numbers of staff, putting a strain on the staff they do have. Cost of living wage increases – Views across recruitment sector is that 1 and 2% rise in annual salaries are a thing of the past – expectations that annual salary increases of circa 5% will be the minimum expected by employees with rise in cost of living. This is likely to force employers to pay more or offer the option of reduced hours for the same salaries. Flexibility – There has been a notable rise in companies offering flexibility with office/home working due to the increase in fuel costs, with most office-based companies now offering 3 days in office at a maximum.
Access to Finance	<ul style="list-style-type: none"> A significant number of businesses are primarily concerned about the dearth of grant opportunities in the region. There has been a lot of recent requests from businesses for micro grants to facilitate things like marketing, recruitment, digitisation and training among others. The general dwindling of grants impacts businesses negatively as they are often unable or unwilling to access other forms of capital to fund these growth expenses, which in turn confines them to slow organic growth
Queen's Award for Enterprise	<ul style="list-style-type: none"> The 2022 Queen's Award for Enterprise, celebrating the achievements of UK businesses, were announced in April. Of the 232 UK winners, 45 are located in the Midlands Engine: 25 from the West Midlands and 20 from the East Midlands. 14 of these have been recognised for their innovation. Specifically: Elcom, Flexeserve, Qdos Contractor, Peak NDT, Oncimmune Holdings, Nimbus, Imagesound, Proteus Instruments, The Little Soap Company, i2r Packaging Solutions, Stallion AI, Biocomposites UK, KPM Marine and Staeger Clear Packaging. 26 companies won in the international trade category, including some of the above and other businesses such as Jesmonite, Instarmac Group, Longvale Ltd, Plum Products, Urban Apothecary, Flair Flooring Group and Ampetronic. A further 6 Midlands Engine companies have been recognised for their work on sustainable development and promoting opportunities.

1. Economic and Labour Market Impacts

Global, National and Regional Outlook

Global

Tensions have continued to rise in Europe. Last month President Putin warned European countries that if they did not pay for energy in roubles, they would cease energy transfers. This week Putin followed up on this threat, and **Gazprom has halted gas exports to both Poland and Bulgaria**. Poland had anticipated that Putin may do this and whilst it gets 53% of its energy supply from Russia, it has been [securing its underground energy stocks](#) over the last few months; this means for the short run, Poland will still have an energy supply. Bulgaria, however, relies on Russia for 90% of its fuel and has said that it is taking steps to find alternative energy supplies.

Whilst energy may be a political weapon for Putin, it is also a significant proportion of the Russian economy and stopping supplies to higher consumption economies, such as Germany, would have a [significant impact on the Russian economy](#). However, if Putin was to cut off supplies to Germany, which has a [45% dependence](#) on Russian natural gas, their largest energy source, it would send energy prices spiralling across Europe, potentially developing into a supply crisis. As a result, **many European countries are putting in place strong strategies for alternative energy sources**, with the aim of phasing out Russian gas by the end of the year.

Additionally, this week for the first time in 20 years, the French electorate has [re-elected a sitting President](#). President Macron won the vote by a majority of [58.5% to 41.5%](#) against Marine Le Pen. However, whilst this is a clear victory, it is largely because the majority of the French electorate did not want a far-right candidate to win, **not because they necessarily strongly support Macron and his policies**. Additionally, many within France thought that [Le Pen was too close to Russia](#) given the current tensions, which persuaded many to vote in favour of Macron.

Currently streaming services are struggling globally. After rapid growth during the pandemic, streaming services such as Netflix and Amazon Prime are all seeing subscribers leave their platform; [Netflix saw \\$50bn wiped off its market value](#). This, in part, may be because new customers that these services gained during their rapid growth in the pandemic, were **gained in times of lockdown and social distancing restrictions**, and now that economies are opening back up customers may be [inclined to cancel their subscription](#). Furthermore, the **cost of living is biting many households** globally and many subscribers are choosing to [cancel their subscription to save money](#). In the UK alone [Kantar](#) found that **half a million households had cancelled their subscription due to 'money saving' reasons**.

National

[Kantar's latest take-home grocery figures](#) show that supermarket sales fell by 5.9% over the 12 weeks to 17th April 2022. Perhaps this is not surprising given that grocery price inflation has on average risen at 5.9% this month, its highest level since December 2011. [Kantar](#) has estimated that this rise in inflation could lead to **extra costs of £271 for the average household this year**. Additionally, the majority of these goods are **non-discretionary – they are everyday essentials which will prove difficult to cut back on as budgets are squeezed**.

[Kantar](#) also found that **budget supermarket sales, such as Aldi, were the fastest growing retailers in this period**. According to [Kantar](#), Aldi's sales increased by 4.2% over 12 weeks, closely followed by Lidl which was up 4%. Compared to last year, [Kantar](#) found that over one million extra shoppers visited Aldi and Lidl respectively over the past 12 weeks compared to this time last year.

Unsurprisingly, given the rapidly rising cost of living, nearly 1 in 5 (17%) have said they were **borrowing more** than they did last year according to an [ONS survey](#). 43% of respondents stated that they would find it **unlikely that they would be able to save any money over the next 12 months**. The [survey](#) also showed that 23% of adults in the month of March found it was either **very difficult or difficult to pay their usual household bills** in the previous month, compared with a year earlier. However, this means these figures do not account for the energy price increases that arose this month.

Overall, the vast majority of people, [87%](#), stated that their cost of living had risen in the previous month. **Those hit hardest were in rented properties and people living in less affluent areas**. However, next month's survey will likely show these figures increase as it will include the energy price rises that came into effect this month. Additionally, energy prices will likely rise again, with Putin cutting off energy supplies to European nations, placing even greater pressure on already low energy stocks in Europe.

Regional

With energy prices set to rise again as Putin halts supplies to European countries, the Midlands Engine area will be impacted. Continuing risers in prices will **further push households into fuel poverty across the region**, especially with escalated European tensions rising energy prices. Additionally, less disposable income due to rising energy prices, will **slow down the economy**, as people will have to cut back on spending in other non-necessity goods.

The Midlands Trade in Goods

Trade in goods is vital to the Midlands and driving the future growth of the Midlands economy. This following section looks at the Midlands trade in goods for 2021 with some positive trends identified despite impacts from the EU exit and Russia invading Ukraine.

In 2021, the Midlands area exported £45.6bn worth of goods and imported £60.5bn. This represents a trade in goods deficit of £14.9bn. The West Midlands exported £25.5bn and imported £34bn – a trade in goods deficit of £8.5bn. The East Midlands exported £20.1bn and imported £26.5bn – a trade in goods deficit of £6.4bn.

Exports

In 2021 exports from the Midlands area were worth £45.6bn which has increased by £259m (+0.6%) since 2020. The increase can be attributed to £483m (+2.2%) more exports to EU locations as Non-EU exports decreased by £224m (-0.9%). The UK increased overall by 6.6% to £309.9bn over the same period. The West Midlands region exports increased by £931m (+3.8%) since 2020 to £25.5bn in 2021. While the East Midlands exports decreased by £672 (-3.2%) to £20.1bn in 2021. A decline was also seen in Northern Ireland.

The Midlands area accounted for 20.1% of England's exports, above London (15.6%) and the South East (17.8%).

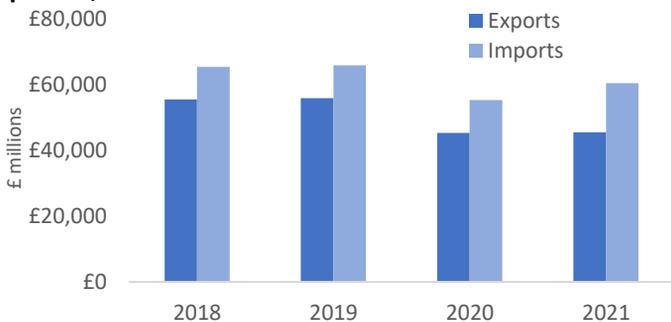
Quarter-on-quarter (Q3–Q4 2021) analysis shows total exports from the Midlands increased by nearly £1.5bn (+13.4%, UK +13.3%). EU exports from the Midlands increased by £432m (+7.9%, UK +13.8%) and Non-EU exports from the Midlands increased by over £1bn (+18.8%, UK +12.9%). However, annual quarterly (Q4 2020–Q4 2021) analysis shows total exports from the Midlands decreased by £127m (-1.0%, UK +5.6%), the small decline was due to the East Midlands increasing by £449m (+8.5%) which was offset from the £576m (-7.9%) decline in the West Midlands. EU exports from the Midlands decreased by £204m (-3.4%, UK +6.1%). Non-EU exports from the Midlands increased by £76m (+1.2%, UK +5.0%) as the East Midlands increased by £498 (+20.3%) but the West Midlands decreased by £422m (-10.5%).

Imports

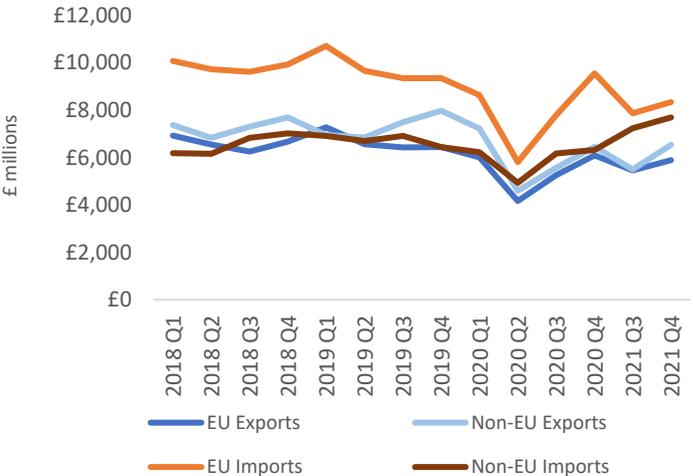
In 2021, imports to the Midlands area were worth £60.5bn which is an increase of £5.1bn (+9.2%) when compared to 2020. UK-wide total imports increased by 9.0% to £461.2bn over the same period. The value of the West Midlands region imports increased by £4bn (+13.5%) when compared to 2020 to £34bn in 2021. The East Midlands imports increased by £1.1bn (+4.2%) since 2020 to £26.5bn in 2021.

Quarter-on-quarter analysis shows total imports to the Midlands increased by £921m (+6.1%, UK +12.2%). EU exports to the Midlands increased by £470m (+6.0%, UK +4.2%) and Non-EU imports to the Midlands increased by £450m (+6.2%, UK +19.5%); notably the East Midlands declined by £44m (-1.3%). Annual Quarterly analysis shows total imports to the Midlands increased by £148m (+0.9%, UK +5.4%), as the East Midlands declined by £9m (-0.1%). EU imports to the Midlands decreased by £1.2bn (-12.7%, UK -14.1%) and Non-EU imports to the West Midlands increased by nearly £1.4bn (+21.6%, UK +28.4%).

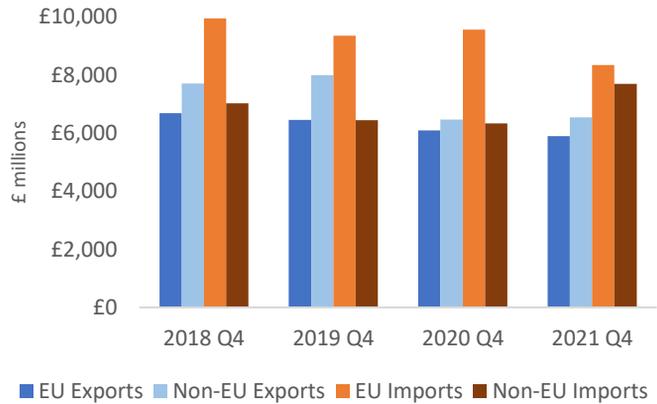
The Midlands total value of goods exported and imported, 2018 – 2021:



The Midlands value of goods exported and imported split by quarter and EU/Non EU, 2018 – 2021:



The Midlands value of goods exported and imported split by Q4 only and EU/Non EU, 2018 – 2021:



The Midlands Trade in Goods

Standard International Trade Classification (SITC)

The total value of exports in **seven of the ten SITC sections increased for the Midlands** when compared to 2020. The sections that declined were: beverages and tobacco, miscellaneous manufactures and other commodities not elsewhere specified (nes).

The largest SITC section for exports in the Midlands area was machinery and transport at £29.9bn – 65.5% of total. Compared to 2020, this SITC section increased by £87m (+0.3%) due to exports to the EU increasing by over £1.1bn but this was offset due to the decreases to Non-EU locations.

10.4% (£4.7bn) of goods exported from the Midlands area came from manufactured goods. In comparison to 2020, this was an increase of 6.0% (+£267m) for the Midlands. The UK overall increased by 7.1%.

9.0% (£4.1bn) of goods exported from the Midlands area came from miscellaneous manufactures. However, the value of exports decreased by 15.4% (-£746m) reflecting the UK trend which declined by 4.9% when compared to 2020.

Since 2020, **crude materials exports increased by 62%** (+£660m) for the Midlands to a total of £1.7bn in 2021. The was above the national growth rate of 49.7%.

The total value of imports in five of the ten SITC sections decreased for the Midlands when compared to 2020.

The largest SITC section that was imported across the Midlands area was machinery & transport at £26.3bn, which is 43.5% of total imports. This section overall has increased since 2020 by nearly £2.8bn (+11.7%).

Exports and imports by SITC Section:

	Midlands			UK		
	2020	2021	% Change	2020	2021	% Change
Total Exports by SITC Section	£ millions		% Change	£ millions		% Change
0 Food and Live Animals	£1,613	£1,647	2.1%	£14,947	£13,252	-11.3%
1 Beverages and Tobacco	£121	£102	-15.7%	£6,404	£7,041	9.9%
2 Crude Materials	£1,065	£1,725	62.0%	£6,389	£9,563	49.7%
3 Mineral Fuels	£220	£284	20.0%	£20,487	£25,462	24.3%
4 Animal and Vegetable Oils	£60	£87	45.0%	£523	£606	15.9%
5 Chemicals	£3,037	£3,057	0.7%	£52,450	£52,208	-0.5%
6 Manufactured Goods	£4,471	£4,738	6.0%	£32,941	£35,281	7.1%
7 Machinery and Transport	£29,774	£29,861	0.3%	£107,588	£111,108	3.3%
8 Miscellaneous Manufactures	£4,850	£4,104	-15.4%	£39,646	£37,704	-4.9%
9 Other commodities nes	£126	£12	-90.5%	£9,246	£17,670	91.1%
Total Exports	£45,336	£45,595	0.6%	£290,620	£309,894	6.6%
Total Imports by SITC Section	£ millions		% Change	£ millions		% Change
0 Food and Live Animals	£5,747	£5,518	-4.0%	£40,671	£37,604	-7.5%
1 Beverages and Tobacco	£482	£465	-3.5%	£6,680	£6,514	-2.5%
2 Crude Materials	£1,337	£1,596	19.4%	£11,646	£14,721	26.4%
3 Mineral Fuels	£542	£1,040	91.9%	£26,170	£51,087	95.2%
4 Animal and Vegetable Oils	£179	£174	-2.8%	£1,497	£1,624	8.5%
5 Chemicals	£4,400	£4,814	9.4%	£53,719	£59,615	11.0%
6 Manufactured Goods	£9,395	£11,154	18.7%	£53,626	£60,849	13.5%
7 Machinery and Transport	£23,555	£26,307	11.7%	£151,064	£154,251	2.1%
8 Miscellaneous Manufactures	£9,770	£9,447	-3.3%	£71,528	£68,902	-3.7%
9 Other commodities nes	£21	£15	-28.6%	£6,451	£6,017	-6.7%
Total Imports	£55,428	£60,529	9.2%	£423,052	£461,184	9.0%

Country Group

When compared to 2020, exports from the Midlands to the Middle East and North Africa (excl. EU), North America and Western Europe (excl. EU) have decreased.

The highest value of exports from the Midlands area was to the EU at £22bn which accounted for 48.2% of the total. The value of exports to the EU has increased by £483m (+2.2%) from 2020. This is considerably lower than the UK overall rate (+6.9%) and below the rate of all other exporter regions excluding North America. It is also the lowest EU export growth between 2020 and 2021 of all English regions outside of London.

EU exports increased between Q3 2021 and Q4 2021 from the Midlands (£5.5bn to £5.9bn). Although, when compared to Q4 2020 (£6.1bn) there has been a decline.

When compared to 2020, **Midlands imports decreased from North America by 6.5%.**

The highest value of imports to the Midlands area was from the EU at £32bn, which accounted for 53.1% of the total. This was an increase of £369m (+1.2%) when to 2020, whilst the UK overall figure reflected a decrease of -4.0%. These findings, together **with the modest EU export growth, might reflect Brexit-related issues and realignments within international trade.**

EU Imports increased between Q3 2021 and Q4 2021 from the Midlands (£7.9bn to £8.3bn). Although, when compared to Q4 2020 (£9.6bn) there has been a decline.

Exports and imports by Country Group:

	Midlands			UK		
	2020	2021	% Change	2020	2021	% Change
Exports by Country Group	£ millions		% Change	£ millions		% Change
Asia & Oceania	£9,055	£9,185	1.4%	£49,262	£52,501	6.6%
Eastern Europe (excl EU)	£780	£1,001	28.3%	£4,600	£5,957	29.5%
European Union	£21,505	£21,988	2.2%	£142,623	£152,453	6.9%
Latin America and Caribbean	£553	£598	8.1%	£4,159	£4,362	4.9%
Middle East and North Africa (excl EU)	£2,218	£2,019	-9.0%	£14,555	£14,536	-0.1%
North America	£8,752	£8,395	-4.1%	£48,703	£43,613	-1.9%
Sub-Saharan Africa	£673	£704	4.6%	£4,499	£5,147	14.4%
Western Europe (excl. EU)	£1,797	£1,698	-5.5%	£14,269	£13,542	-5.1%
Undefined Country Group	£3	£5	66.7%	£7,950	£11,783	48.2%
Total Exports	£45,336	£45,595	0.6%	290,620	309,894	6.6%
Imports by Country Group	£ millions		% Change	£ millions		% Change
Asia & Oceania	£14,674	£17,773	21.1%	£99,543	£113,895	14.4%
Eastern Europe (excl EU)	£441	£590	33.8%	£7,602	£9,392	23.5%
European Union	£31,780	£32,149	1.2%	£226,320	£217,349	-4.0%
Latin America and Caribbean	£851	£1,074	26.2%	£5,387	£5,616	4.3%
Middle East and North Africa (excl EU)	£1,131	£1,236	9.5%	£8,764	£12,732	46.0%
North America	£4,137	£3,867	-6.5%	£39,495	£41,449	4.9%
Sub-Saharan Africa	£625	£724	15.8%	£6,026	£8,503	41.1%
Western Europe (excl. EU)	£1,791	£3,114	73.3%	£24,603	£47,231	92.0%
Undefined Country Group				£5,311	£4,959	-6.6%
Total Imports	£55,428	£60,529	9.2%	£423,052	£461,184	9.0%

Source: HM Revenue & Customs, [UK regional trade in goods statistics](#) - released April 2022

Business Activity

Business Activity Index

The **West Midlands Business Activity Index** increased from **58.4** in February 2022 to **59.1** in March 2022, this was the fastest rate of growth in nine months. This increase was associated with backlog-clearing efforts, greater sales and a rush to beat price hikes.

The **East Midlands Business Activity Index** increased from **59.6** in February 2022 to **60.5** in March 2022. The latest increase in business activity was the fastest seen since July 2014. Firms stated that stronger client demand following the easing of Covid-19 restrictions drove the expansion in output.

The overall UK Business Activity Index increased from 59.9 in February 2022 to 60.9 in March 2022.

The West Midlands and East Midlands Business Activity Index trends:

West Midlands Business Activity Index
sa, >50 = growth since previous month



East Midlands Business Activity Index
sa, >50 = growth since previous month



Source: IHS Markit, NatWest PMI, April 2022

Of the 12 UK regions, the West Midlands and the East Midlands were sixth lowest and fifth highest respectively for the Business Activity Index in March 2022.

Demand

The **West Midlands New Business Index** decreased from **58.7** in February 2022 to **55.4** in March 2022. The **East Midlands New Business Index** decreased from **60.3** in February 2022 to **58.0** in March 2022. Despite both regions easing from February 2022, there was still a sharp rise in new business during March 2022.

Exports

The **West Midlands Export Climate Index** decreased from **54.6** in February 2022 to **53.9** in March 2022. The **East Midlands Export Climate Index** decreased from **53.7** in February 2022 to **53.0** in March 2022. Despite the decline for both regions from February 2022, the index shows a strong improvement in export conditions.

Business Capacity

The **West Midlands Employment Index** decreased from **56.3** in February 2022 to **53.9** in March 2022. The decline was linked to **cost-cutting efforts and workers leaving for higher paid jobs**. The **East Midlands Employment Index** increased from **56.7** in February 2022 to **56.9** in March 2022. The increase in workforce numbers was linked to a **greater ability to find suitable candidates** and increased new business.

The **West Midlands Outstanding Business Index** decreased from **51.7** in February 2022 to **50.8** in March 2022. The **East Midlands Outstanding Business Index** decreased from **56.4** in February 2022 to **52.7** in March 2022.

Prices

The **West Midlands Input Prices Index** increased from **83.6** in February 2022 to **83.8** in March 2022. The **East Midlands Input Prices Index** increased from **84.2** in February 2022 to **86.1** in March 2022.

The **West Midlands Prices Charged Index** increased from **68.5** in February 2022 to **70.7** in March 2022; which is a series record. The **East Midlands Prices Charged Index** increased from **65.8** in February 2022 to **68.5** in March 2022.

Outlook

The **West Midlands Future Activity Index** decreased from **76.7** in February 2022 to **75.2** in March 2022. The **East Midlands Future Activity Index** decreased from **73.2** in February 2022 to **69.2** in March 2022. Despite the level of positive sentiment falling, firms in the Midlands **remained upbeat**. **Optimism was restricted due to supply-chain concerns, inflationary pressures and Russia's invasion of Ukraine**.

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

Source: IHS Markit, NatWest PMI, April 2022.

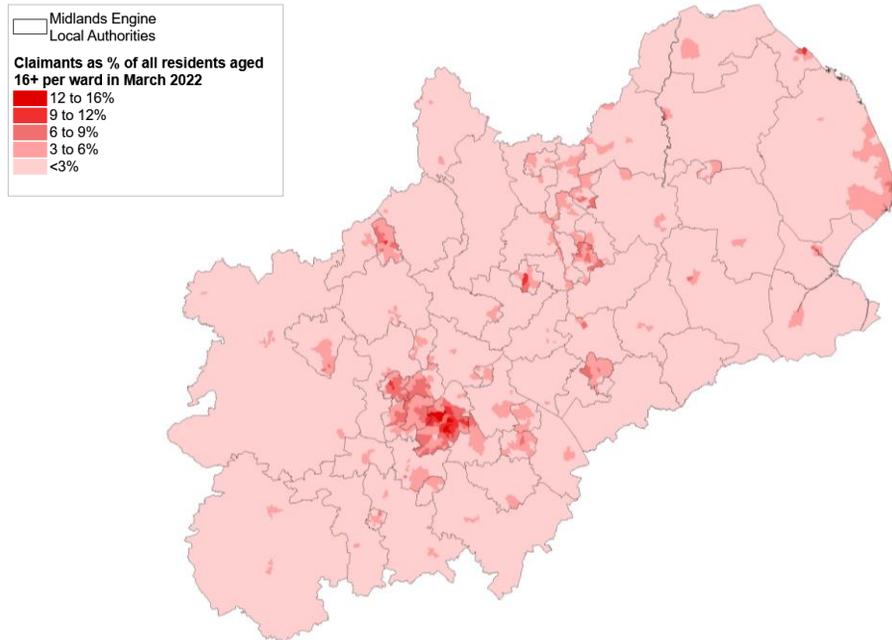
Located on the Midlands Engine Hub - [Interactive Regional Business Activity Dashboard](#)

Labour Market Impacts: Claimants

There were **297,970 claimants** aged 16 years and over in the Midlands Engine area in March 2022, which is a **decrease of 1,375 claimants since February 2022**. This equates to a decrease of 0.5% for the Midlands Engine area, compared to a 0.5% decrease across the UK. **There are 76,430 (+34.5%, UK +38.2%) more claimants when compared to March 2020.**

The number of claimants as a percentage of residents aged 16 years was 3.5% in the Midlands Engine (UK 3.2%) in March 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 March 2022:



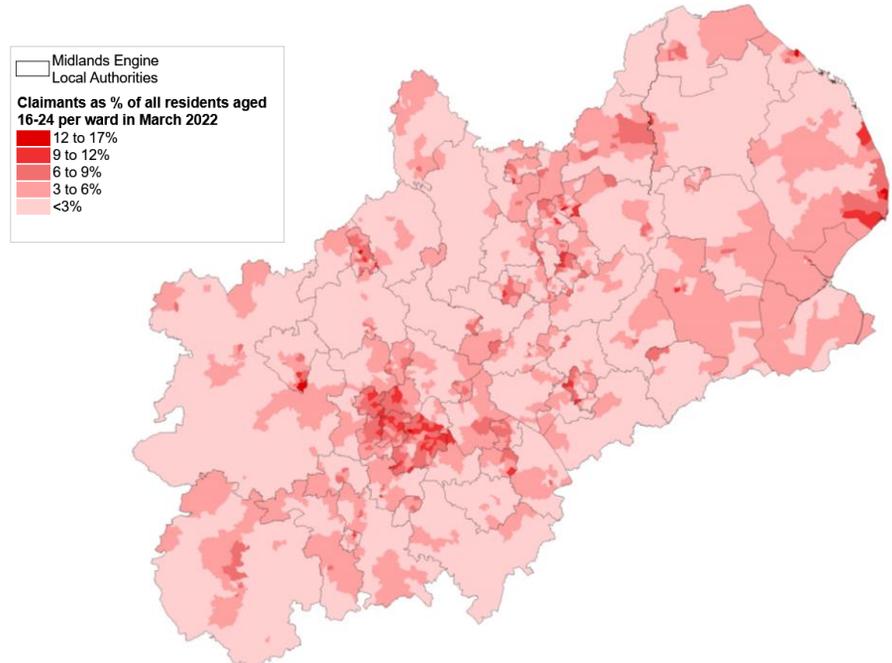
Out of the 1,511 wards within the Midlands Engine, **431 were at or above the UK proportion of 3.2%** for the number of claimants as a percentage of the population aged 16 years and over in March 2022.

The wards with the highest number of claimants as a percentage of the population aged 16 years and over were based in Birmingham, with Handsworth the highest with 15.1%. This is followed by Birchfield at 14.9% and then Lozells at 14.4%.

There were **50,705 claimants** aged 16-24 years old in the Midlands Engine area in March 2022 – a decrease of 140 claimants since February 2022. This equates to a decrease of 0.3% with the UK decreasing by 0.7%. Since March 2020 (44,195 claimants), **the number of claimants aged 16-24 years old has increased by 6,510 (+14.7%, UK +16.1%).**

The number of claimants as a percentage of residents aged between 16 and 24 years old was 3.8% (UK 3.4%) in March 2020, which has increased to 4.4% in the Midlands Engine and 4.0% for the UK in March 2022.

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



Out of the 1,511 wards within the Midlands Engine, **597 were at or above the UK proportion of 4.0%** for the number of claimants as a percentage of the population aged between 16-24 years old in March 2022.

The wards with the highest number of youth claimants as a percentage of the population were based in Portland (Mansfield) at 16.8%. This is followed by Handsworth (Birmingham) at 13.3% and then Joiner's Square (Stoke-on-Trent) at 12.7%. In contrast, within the Midlands Engine there **were 99 wards with no youth claimants** in March 2022.

Midlands Engine Qualifications Profile

Qualifications (NVQ) Levels

Across the Midlands Engine in 2021, **37.6% (2.36m)** of the working age population (16-64 years old) were educated to NVQ 4+ qualification levels – which are the highest levels on record, the UK average was 43.5%. Since 2020, 36 of the local authorities in the Midlands Engine increased in NVQ4+ qualifications and overall the Midlands Engine increased by **1.4% (+32,900 people)** compared to the UK growth of 0.9%. For the Midlands Engine area to reach the UK proportion of 43.5% requires an **additional 367,390 people to gain an NVQ4 qualification**.

17.4% (nearly 1.1m) held NVQ3 qualifications in the Midlands Engine area which was above the UK average of 16.6% in 2021. Since 2020, this has decreased by **6.9% (-81,200)** for the Midlands Engine while the UK decreased by 1.5%.

3.0% (189,100) held trade qualifications in the Midlands Engine area which was above the UK average of 2.8% in 2021. Since 2020, this has increased by **16.9% (+27,400)** for the Midlands Engine while the UK decreased by 1.1%.

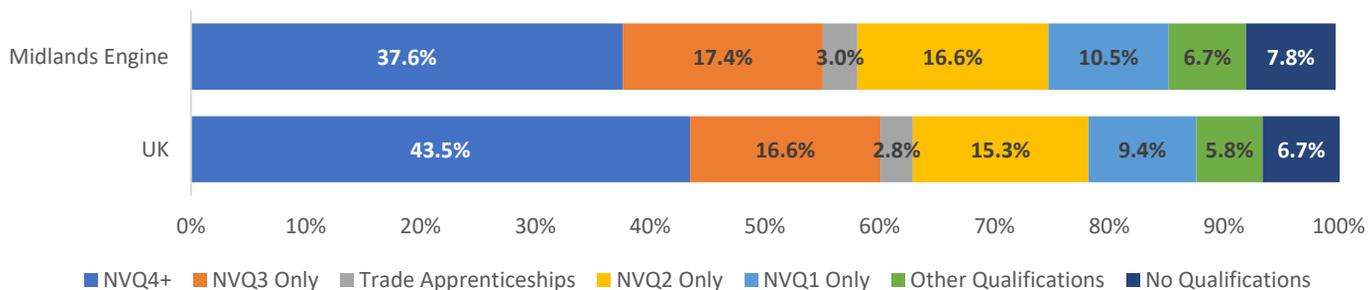
16.6% (over 1m) held a NVQ2 qualification in the Midlands Engine which was above the UK average of 15.3% in 2021. Since 2020, this has decreased by **1.5% (-16,100)** for the Midlands Engine which reflected national trends as the UK decreased by 1.2%.

10.5% (658,200) held a NVQ1 qualification in the Midlands Engine which was above the UK average of 9.4% in 2021. Since 2020, this has increased by **0.9% (+5,700)** while the UK has decreased by 2.8%.

6.7% (422,400) held other qualifications in the Midlands Engine area which was above the UK average of 5.8% in 2021. Since 2020, this has increased by **1.2% (+5,200)** for the Midlands Engine and the UK increased by 0.1%.

In 2021, **7.8% (489,900)** of the working age population in the Midlands Engine had no qualifications which was above the UK average of 6.7%. Where available for local authorities, 1.1% of residents in Rutland had no qualification to 18.5% in East Lindsey. Over the year there was a **3.4% (+16,100 people) increase for the Midlands Engine overall** compared to a 1.8% increase for the UK. To eradicate the gap with the national average, a **further 69,696 working age Midlands Engine residents are needed to obtain at least one qualification**.

Summary of Midlands Engine and UK qualifications levels for those aged 16-64 in 2021:



Qualification levels for the Midlands Engine and UK along with change between 2020 and 2021 and the gap to reach national proportions:

	Midlands Engine 2020	Midlands Engine 2021	UK 2021	Midlands Engine Change 2020-2021	UK Change 2020-2021	Gap to UK		
NVQ4+	2,327,900	37.0%	2,360,800	37.6%	43.5%	1.4%	0.9%	367,390
NVQ3 only	1,173,400	18.7%	1,092,200	17.4%	16.6%	-6.9%	-1.5%	Above UK
Trade Apprenticeships	161,700	2.6%	189,100	3.0%	2.8%	16.9%	-1.1%	Above UK
NVQ2 Only	1,059,800	16.9%	1,043,700	16.6%	15.3%	-1.5%	-1.2%	Above UK
NVQ1 Only	652,500	10.4%	658,200	10.5%	9.4%	0.9%	-2.8%	Above UK
Other Qualifications	417,200	6.6%	422,400	6.7%	5.8%	1.2%	0.1%	Above UK
No Qualifications	473,800	7.5%	489,900	7.8%	6.7%	3.4%	1.8%	-69,696

Source: ONS, Annual Population Survey - Released April 2021.

Please note figures may not sum due to rounding and data availability. Also, NVQ3, 2 and 1 have the word 'only' afterwards as data is also available for NVQ3+, NVQ2+ and NVQ1+.

Located on the Midlands Engine Hub - [Interactive Qualifications Dashboard](#)

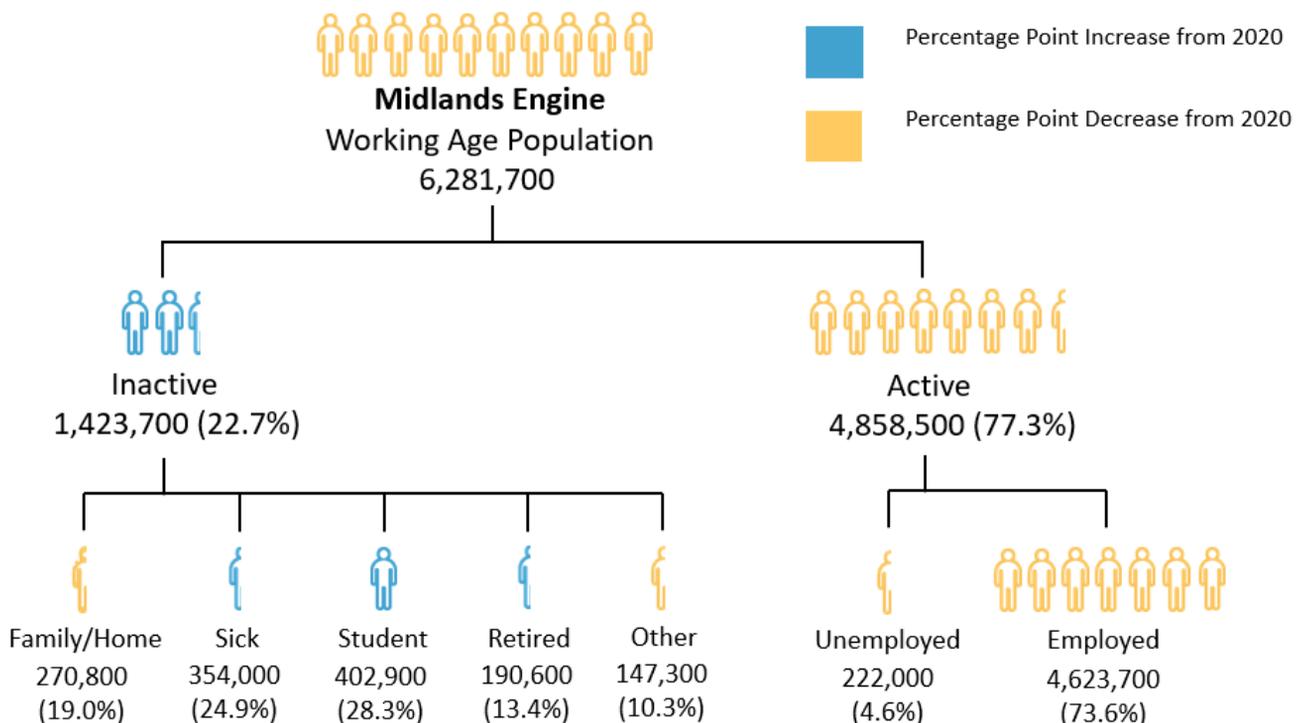
Midlands Engine Employment Activity

ONS recently released data from the Annual Population Survey (APS) for 2021.

Key findings:

- In 2021, the **employment rate in the Midlands Engine area was 73.6% compared to 74.7% for the UK overall**. Within the Midlands Engine, 37 local authority areas have employment rates that are at or above the UK average. When compared to 2020, the Midlands Engine area overall decreased by 0.4 percentage points (pp), which matched the UK-wide decline rate. The **employment rate increased in 27 of the Midlands Engine local authorities** and a further 2 local authorities have remained at the same level. The highest percentage point increase in the employment rate was in Lincoln by 14.9pp (to 79.8%), in contrast the highest percentage point decrease in the employment rate was in Tamworth by 14.7pp (to 71.1%).
- The **unemployment rate for the Midlands Engine was approximately 4.6% compared to 4.5% for the UK in 2021**. For the Midlands Engine overall, this is a decrease of approximately 0.5pp compared to the UK decreased by 0.2pp since 2020. Where data is available across the Midlands Engine area for 2021, the **unemployment rate varies from Wychavon which recorded the lowest unemployment rate at 1.4% to Boston at 12.2%**. Since 2020, the highest percentage point increase in the unemployment rate was in Blaby by 6.1pp (to 12%), in contrast the highest percentage point decrease in the unemployment rate was in Chesterfield by 6.1pp (to 4.1%).
- The **economic activity rate for the Midlands Engine area was 77.3% compared to 78.2% for the UK in 2021**. Within the Midlands Engine, **34 local authority areas have economically active rates that are at or above the UK average (78.2%)**. For the Midlands Engine area overall, the economic activity rate has decreased by 0.8pp since 2020. The UK has decreased by 0.5pp in the same period.
- For **economic inactivity, the Midlands Engine rate was 22.7% compared to 21.8% for the UK overall in 2021**. Since 2020, for the Midlands Engine area, this has increased by 0.8pp while the UK increased by 0.6pp. Economic inactivity can be broken down further into reasons of inactivity. In 2021, the **Midlands Engine had a higher percentage of people that were inactive when compared to the UK in one category; student (28.3% vs 28.1%)**.

The following infographic shows a breakdown of the Midlands Engine working age population employment activity for 2021:



Please note: figures in the infographic do not sum due to rounding and data gap. Excluding Working Age Population, change in this section is based on rates opposed to people.

Located on the Midlands Engine Hub - [Interactive Employment Activity Dashboard](#)

A 'Just transition' towards 'Green Jobs'

What are 'Green Jobs'?

According to the [ONS](#), there is **no official definition of 'green jobs'**. This provides a plethora of issues, as the lack of an official definition and metric make it increasingly difficult for decision makers to try and ensure a just transition.

The case for a 'Just Transition'

In order to meet future climate change goals, [enshrined in international agreements and legislation](#), **businesses will need to be supported as they decarbonise and green their business models, including the upskilling of staff with green skills**. This is especially so for those in high polluting sectors, such as steel and cement, which will have to make costly and technologically complex upgrades. In order to prevent this, a '[Just Transition](#)' needs to be supported, which means greening the economy in a way that is fair and inclusive as possible to everyone concerned and creating **decent work opportunities**.

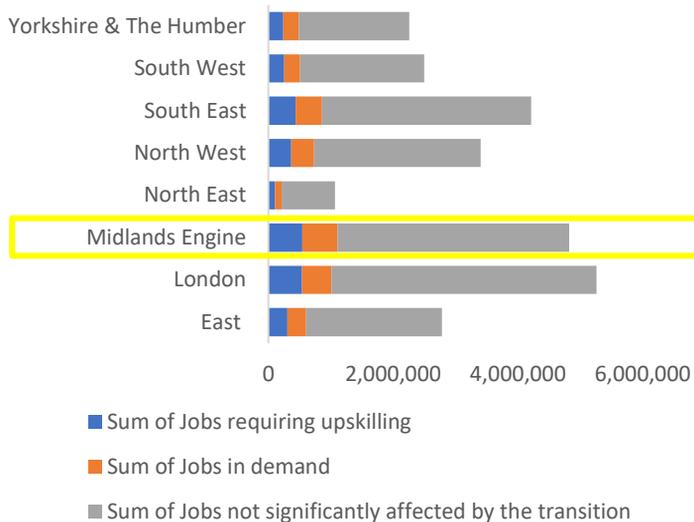
For instance, [research conducted by TUC](#), has found that in the high polluting manufacturing sector, [660,000 jobs could be at risk](#). The analysis has identified jobs that could be moved offshore to countries that offer superior green infrastructure and greater support for decarbonising industry. This is referred to by many policy makers as '[carbon leakage](#)', meaning the **high costs of emitting greenhouse gases domestically could prompt businesses to relocate production to countries with less strict rules on emissions**, or countries which offer greater support for transitioning to net zero.

Sectoral Impact

To help policymakers at both the national and local level target their efforts, the team at [LSE](#) and [Placed-Based Climate Change Action Network \(PCAN\)](#), has launched the Just Transition Jobs Tracker. This tool, developed as part of [recent work](#) on how to mobilise finance for a just transition, estimates how employment will be affected by the transition to a green economy.

- **Jobs requiring upskilling:** These are existing jobs that require **significant changes in skills and knowledge**. These include specialised jobs in the manufacturing and extractive sectors, such as petroleum engineers and heavy equipment operators, whose skills need to be adapted to a net-zero economy.
- **Jobs in demand:** These are existing jobs that are **expected to be in high demand** due to their important role in the net-zero economy. These include specialised positions in the green economy, such as wind turbine installers, but also the skills and expertise of welders, builders and engineers already working to build the infrastructure.

Just Transition Jobs Tracker:



Source: [Placed-Based Climate Change Action Network](#)

The results, based on the UK jobs market in 2019, provide insights on the priority sectors for just-transition planning, as well as the importance of taking proactive action locally. It is vital that we urgently prepare for the changes in jobs and skills the climate crisis demands. This will help us to ensure that **nobody is left behind**, and that as many people as possible are ready to get to work in the high demand jobs created by a green economy.

They have found that one in five workers, and 6.3 million jobs in total, will be affected by the transition to net zero, with around 3 million workers requiring upskilling and another 3 million that will be in high demand. In the Midlands Engine, **499,115 jobs require upskilling, 519,785 jobs will be in demand, and 3,439,700 jobs will not be affected**.

The sectors likely to face the largest transitional changes are:

1. **Energy**
2. **Construction**
3. **Transport and Storage**
4. **Manufacturing**

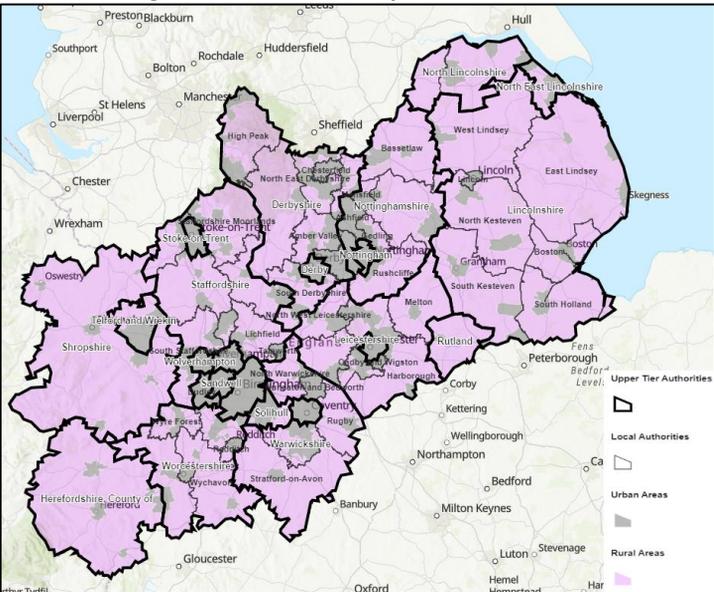
Impact on the Midlands

The Midlands is likely to be highly impacted by a net zero transition, due to the **high concentration of heavy manufacturing industries**. [Onward found](#) that the Midlands had the highest percentage of jobs (40%) within high emitting industries, both characterised by constituencies with large industry, manufacturing, and aviation employers. The [CPP](#) also found the East Midlands is the most extremely economically vulnerable area impacted. Of the 37 extremely vulnerable areas, 8 (22%) are within the East Midlands.

Midlands Engine Towns and Cities Regeneration

Data and insights into town and cities suggests that there are multiple challenges faced by places across the Midlands Engine, not least the legacy of the pandemic and increasing digitisation that threaten high streets. However, investment has been flowing, but more is likely to be required to truly deliver levelling up for communities and businesses across the region.

Midlands Engine Urban / Rural Split:



Geography

The Midlands Engine includes a diverse set of communities located in both urban and rural areas. By landmass, the urban areas make up **490,314 ha (18%)**, whilst rural areas account for **2,239,859 ha (82%)**. The majority of residents live within urban areas, **8,352,291 people (81%)**, whilst only **1,996,251 (19%)** live in rural areas.

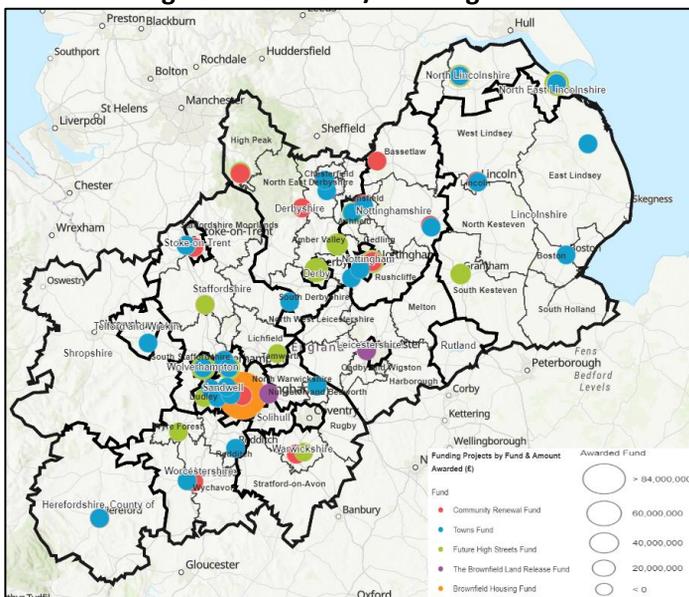
[Ernst & Young](#) forecast that **cities will grow faster than towns in every region of England up to 2023**, this is largely due to the location of higher-end services and the public sector. Meanwhile, according to the [PwC Good Growth for Cities Index](#), the **Midlands has performed well recently on Transport**, where **four out of eleven cities scored above the national average**, with the rest at least average.

However, there are disparities across the rural / urban split, **with urban areas generally having higher deprivation and unemployment**, while more **rural areas suffer from poor transport and digital connectivity**. Rural populations are nearly twice as far from their nearest services and urban populations - reinforcing the use of cars to access town centres, hospitals and education, and overall trip distances being further away. Furthermore, cities have fared worse resulting in **higher claimant rates, higher rates of furlough and higher COVID-19 deaths**.

Investment

The Midlands Engine region has received a healthy amount of [investment](#) into town, cities and high streets in recent years. Notably, this has been through many government funding pots, the Levelling Up Fund, Towns Fund, Future High Streets Fund, Brownfield Housing Fund and Community Renewal fund, together **amounting to £1bn+ investment**. These investments are supporting a variety of projects aimed at boosting Midlands places and keeping them thriving such as the Working and Connecting Communities project in Lincolnshire County Council which was awarded **£715,501** to support longer term employment. Likewise, **£15,034,398** investment into the St Peter's Cross project in Derby City, or the West Bromwich Town Deal within the Sandwell Metropolitan Borough Council including **£25m investment**.

Midlands Engine Investment / Funding:



However, given the disparities across rural and urban areas across the Midlands, and overall differences between the Midlands Engine and the UK average, more investment is required to satisfy the needs of businesses and communities. Towns and city centres are suffering from all-time high vacancy rates, exacerbated by COVID. **Nine Midlands Engine centres** are particularly under threat in data presented by [Power to Change](#). Furthermore, assessing potential economic growth rate for cities in a [PwC report](#), the Midlands region had **6.9% GVA growth**, this being below the UK **GVA growth rate of 7.3%**. Regionally, the Midlands was in **fifth place** (East Midlands was **fifth** and West Midlands was **sixth**).

Midlands Engine Towns and Cities Regeneration

Retail and Visitor Economy Sectors

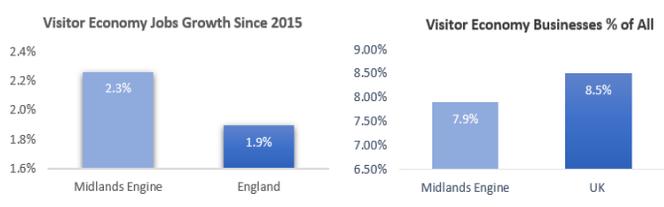
The traditionally important town centre/high street sectors of retail and the visitor economy together contribute over **1 million jobs** across the Midlands Engine area. This represents **24.2% of all jobs in the region**, just below the England rate of 24.4%. The two sectors contribute **£41bn GVA** to the Midlands Engine economy, from **92,640 businesses**. In terms of jobs, the Midlands Engine's Visitor Economy has grown faster than the national average in recent years (**2.3%** growth in jobs since 2015, compared to **1.9%** in England), whereas retail activity overall has been higher than in England, yet both are quite flat.

Retail and Visitor Economy in the Midlands Engine: Data Snapshot:

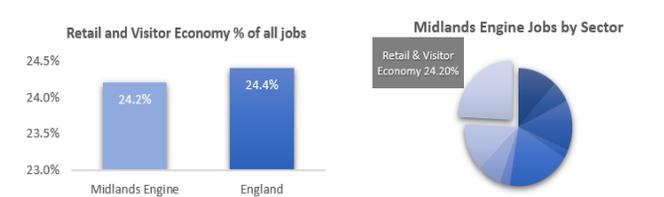
Retail **£30bn GVA** **702,000 Jobs** **62,590 Businesses**



Visitor Economy **£10bn GVA** **362,000 Jobs** **30,050 Businesses**



Total **£41bn GVA** **1,064,000 Jobs** **92,640 Businesses**



However, According to [a PwC report](#) examining retail closures via Local Data Company Data, in 2021 the Midlands collectively saw **1,169** openings and **2,822** closures, a net change of **1,563**. Of which the East Midlands saw **528** openings and **1,146** closures, a net change of **618**. Meanwhile the West Midlands saw **641** openings and **1,676** closures, a net change of **1,035**. When examining multiple retailer percentage closures by region, the West Midlands was the second worst performing region at **-5.4%** net closures. For multiple retailer percentage closures, the East Midlands performed better than any other region at **-4.1%** net closures. In the pre-pandemic period, the most common types of stores to leave high streets and city centres were banks and fashion retailers.

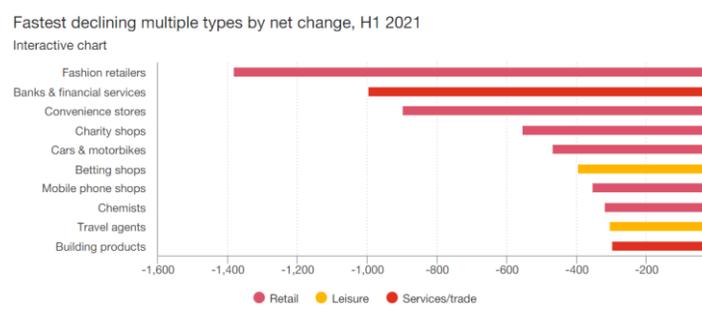
Multiple retailer percentage closures by region, 2021:



Source: PWC/Local Data Company

The big net declines in key retail categories (fashion, banks) reveal changes in how consumers transact: the shift to online, accelerated by consumer behaviour during lockdowns. This continues to be the biggest denominator for closures in retail and services. Fashion is the fastest declining category with almost **4** net closures a day with several fashion and department store chains were acquired by online operators with no ambitions to operate physical stores.

Fastest declining multiple types by net change, H1 2021:



Source: PWC/Local Data Company

The Future of Towns, Cities and High Streets

According to [experts](#), high streets of the future will need to become **multi-purpose locations, combining retail and hospitality amenities with residential, education, healthcare, cultural, technology, community and more**. Covid-19 recovery provides an opportunity to revive and reimagine Midlands towns, cities and high streets for the long-term. Short, medium and long-term action can be taken by places and government – including by focusing on community-led approaches, the visitor economy and preserving what already exists.

However, The legacy of Covid could also accelerate the decline of high streets, creating the conditions for a dangerous downward spiral: shops become vacant and stay vacant, attracting anti-social behaviour and blighting the local environment. It is particularly important that the new town and city centres have a clear purpose, which needs to include job creation, to try to address the reduction in commuter and shopper footfall. **Long-term decline and its consequences will require long-term solutions and a hefty level of investment.**

2. Business Environment

Local Business Intelligence By Sector

SECTOR	KEY INSIGHTS
Agriculture	<ul style="list-style-type: none"> • Dairy farmers in the region and beyond are being forced to slaughter herds of livestock as costs rocket and milk prices spiral. • In the first two weeks of Russia's invasion, one local dairy farmer has slaughtered 26 cows — a tenth of his herd on a West Midlands farm. The unplanned killings came as bills for fertiliser and fuel almost doubled overnight due to the mayhem in the global commodities markets. Credit from suppliers is now almost non-existent. • That sudden cashflow squeeze means that many of the cows intended for milking will now end up in food. • Wider concerns relating to the conflict include: farmers being affected by soaring prices for fertiliser, diesel and animal feed; the supply of fertiliser and wheat; energy and transport costs; potential for further disruption to new vehicle supply chains.
Manufacturing	<ul style="list-style-type: none"> • China's latest Covid lockdown in Shenzhen is impacting the supply chains of technology and automotive firms. Toyota, Volkswagen and Apple supplier Foxconn are among the firms affected by factory shutdowns following the surge of the virus which has left 12.5 million civilians placed under quarantine. This may have knock-on impacts for wider Midlands supply chains. • The industry has suggested that there was little in the way of support for manufacturers in the Spring Statement – particularly support for high energy costs. • On Russian sanctions, there is concern over the disruption to metals and materials for industries such as aerospace. There is increased concern from aerospace companies that there will be further disruption as businesses are starting to cut ties with Russian suppliers and associations. • Serious issues also exist in the paper market- including the increased costs in the production of paper and transportation from A to B are happening weekly. A specific paper mill in Bulgaria has closed initially for 4-6 weeks currently due to the issues in Ukraine. They source their gas and coal from Ukraine but currently cannot. UK Paper brokers were ordering 6 loads a month from this mill which they now cannot. The demand is still very high. • Steel price increases, particularly high-grade steel, risk crippling businesses in the manufacturing and construction industries. Many suppliers are not prepared to hold quoted pricing for long, with some reportedly only holding pricing for just 4 hours, as the wholesale cost changes frequently. Increased costs are again being passed on to the end consumer. Those that can afford it, are stockpiling materials to ensure the best levels of continuity possible. • More positively, The boss of Leicestershire fuel cell developer Intelligent Energy says the tech business hopes to start work on a £100 million East Midlands Gigafactory as early as next year.
Energy / Low Carbon	<ul style="list-style-type: none"> • For the low carbon sector, the impact of the Russian invasion of Ukraine on the broader trend towards a low carbon economy is mixed. Some business leaders feel that the invasion will ultimately have a negative impact on the drive towards low carbon energy as a recession may result. However, other representatives have stated that the invasion is forcing Europe to address its long-standing energy security issues and may force an increase in development of wind and solar energy that is produced domestically. • Business leaders have suggested that the Government's new Energy Strategy is a welcome step in the right direction, but that businesses need more support in the immediate term. • A combination of global and local issues, headlined by the war in Ukraine, has led to significant rising costs for overheads such as energy, as well as raw materials and people. As a result, 80% of businesses expect they will be forced to increase prices over the next three months, according to the East Midlands' Quarterly Economic Survey for Q1 2022.

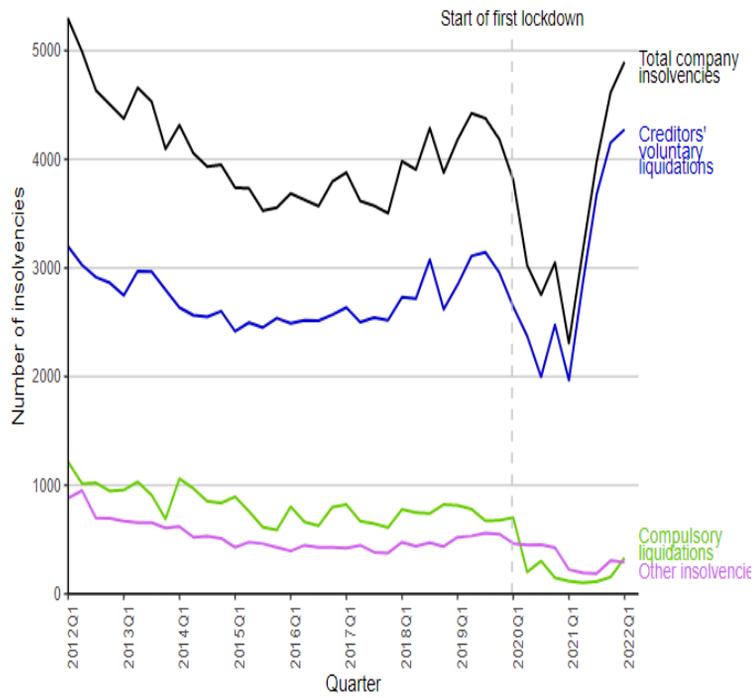
Company Closures

The total number of **corporate insolvencies** actually fell during the pandemic across the UK. This is because of Government fiscal and other measures that were put in place to support businesses.

In September 2021, some of these measures either ended or were replaced by new tapering measures. This seems to **correlate with the rise in insolvencies again in recent months** – as reported by the [Insolvency Service](#):

- Overall, the total number of company insolvencies registered in the UK in 2021 was **14,048**. This was higher than the **12,634** in 2020 but remained below pre-pandemic levels.
- But registered company insolvencies **increased in Q4 2021 to the highest quarterly level since Q3 2012**.
- This has continued into 2022, with **4,896 registered company insolvencies in Q1**, more than double the number registered in the same quarter in 2021.
- **One in 257 active companies entered liquidation between 1 April 2021 and 31 March 2022**. This was an increase from the 25.5 per 10,000 active companies that entered liquidation in the 12 months ending March 2021.

Number of registered company insolvencies in England and Wales, 2012 to 2022. Seasonally adjusted:

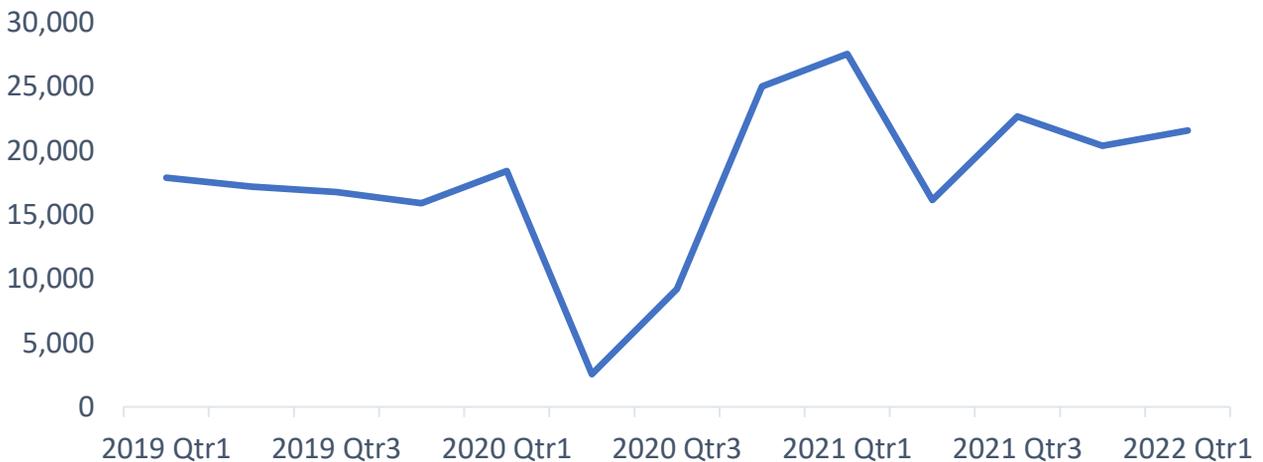


Sources: Insolvency Service (compulsory liquidation only); Companies House (all other insolvency types)

Data from FAME for overall company dissolutions (not just insolvencies) can help estimate features of Midlands Engine company closures. As per the national data, there was a **massive fall in dissolutions during the pandemic**, which has recently risen again in recent quarters. The line graph below demonstrates the **volatility in recent years compared to a relatively stable period pre-pandemic**.

The total number of company dissolutions in the Midlands Engine in **2021 was 87,000**. This was higher than the 55,000 in 2020 but also above pre-pandemic levels (2019 = 68,000). **Dissolutions rose particularly high in Q1 2021 and then Q3**. The **early parts of 2022 suggest a relative stabilisation in the number of company closures** (in slight contrast to nationally), but there is a **risk of greater volatility given the cost of living and cost of doing business crisis**.

Midlands Engine total company dissolutions by quarter:



Source: Midlands Observatory Analysis of FAME Database

Business and Insights and Conditions Survey

The Office for National Statistics (ONS) have published the final results from [Wave 54 of the Business Insights and Conditions Survey \(BICS\)](#).

International Trading

14% of businesses in the West Midlands and 14.1% of East Midlands businesses were exporting more than normal. The figures for importing more than usual are 17.1% for the West Midlands and 17.8% for the East Midlands.

55.9% of West Midlands businesses and 56.5% of East Midlands businesses who were exporting reported that they had not been affected and 57.3% of West Midlands importers and 57.5% of East Midlands importers said that importing had not been affected.

17.3% of exporting businesses in the West Midlands and 15% for the East Midlands reported their businesses were still exporting but less than normal. 12.9% in the West Midlands and 10.4% in the East Midlands were importing less than normal.

9.6% of West Midlands businesses and 10% of East Midlands businesses reported to using the rules of origin to access lower or zero tariffs on exports to EU countries. For both regions, less than the 1% reporting used the rules of origin to non-EU countries 18.6% of West Midlands businesses and 20.3% of East Midlands businesses reported they were to both EU and non-EU countries.

Supply Chains

4.0% of West Midlands businesses and 3.6% of East Midlands businesses were not able to get materials, goods or services needed from the EU in March 2022.

8.2% of West Midlands businesses and 7.9% of East Midlands businesses were only able to get materials, goods or services needed from the EU by changing suppliers or finding alternative solutions.

6.1% of West Midlands businesses and 5.1% of East Midlands businesses were not able to get materials, goods or services needed from the UK over in March 2022.

13% of West Midlands businesses and 15.2% of East Midlands businesses were only able to get materials, goods or services needed from the UK by changing suppliers or finding alternative solutions.

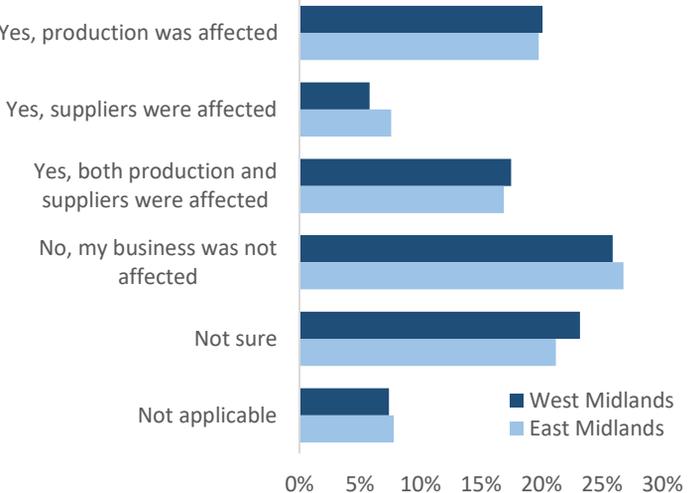
These challenges caused 49.9% of West Midlands businesses and 52.6% of East Midlands businesses minor or moderate disruption.

2.9% of West Midlands businesses and 2.3% of East Midlands businesses reported they intend to open new branches or subsidiaries in the EU in the next 12 months.

Energy Prices

Positively, 25.9% of responding West Midlands businesses and 26.8% of East Midlands businesses reported **not to have been affected by the recent increases in energy prices.**

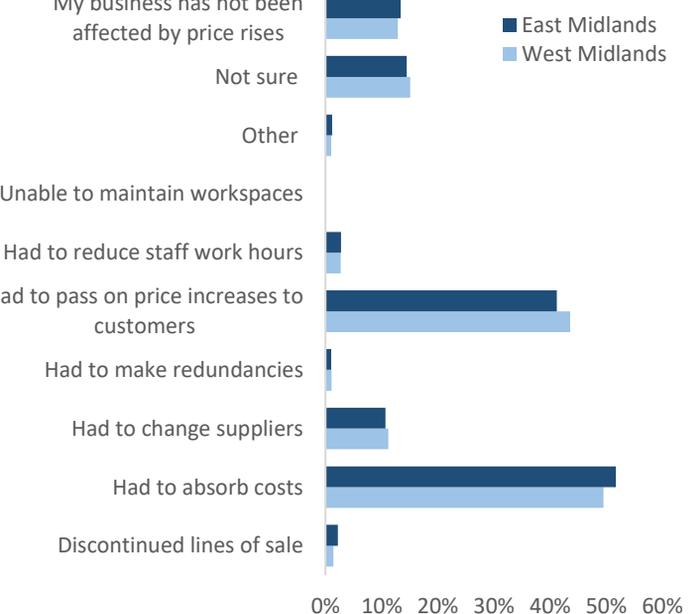
How businesses have been affected by energy price rises (if any):



Impact of Prices

49.5% of West Midlands businesses and 51.7% of East Midlands businesses reported that due to price rises they have had to absorb the costs due to price rises.

How businesses have been affected by price rises (if any):



Business Insights and Conditions Survey

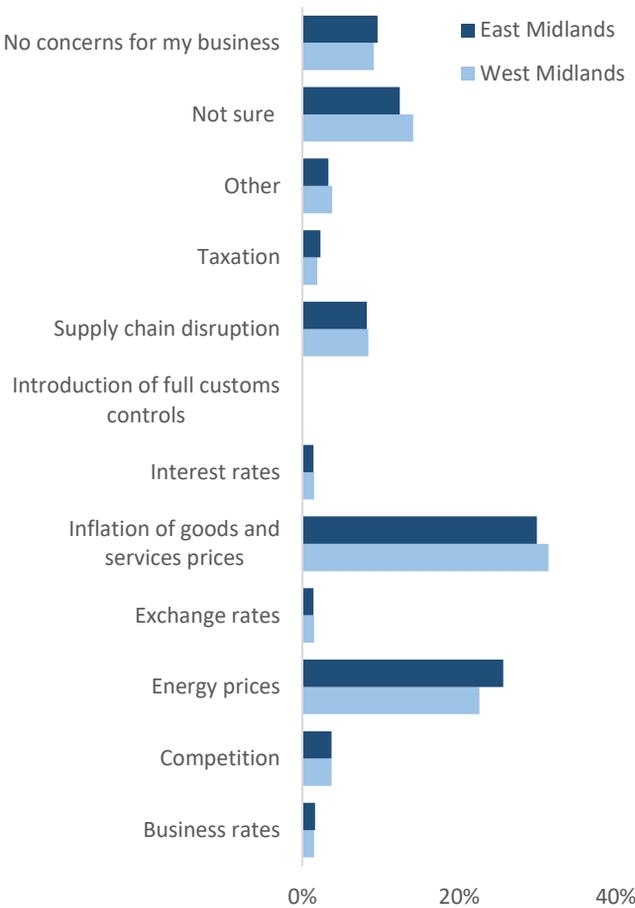
Global Supply Disruption

24.2% of West Midlands businesses and 22.6% of East Midlands businesses reported experiencing global supply chain disruption in March 2022.

Main Concerns for Business

31.4% of West Midlands businesses and 29.9% of East Midlands businesses reported the main concern for business was “inflation of goods and services prices” in April 2022.

The main concerns for Midlands businesses:



Homeworking

35% of West Midlands businesses and 36.1% of East Midlands businesses reported there were using or intending to use increased homeworking as a permanent business model going forward.

Although, 44.5% of West Midlands businesses and 44.1% of East Midlands businesses reported they are not using or do not intend to use increased homeworking as a permanent business model going forward.

Covid-19 Testing

15.3% of West Midlands businesses and 16.2% of East Midlands businesses reported they were still providing regular Covid-19 testing for the workforce.

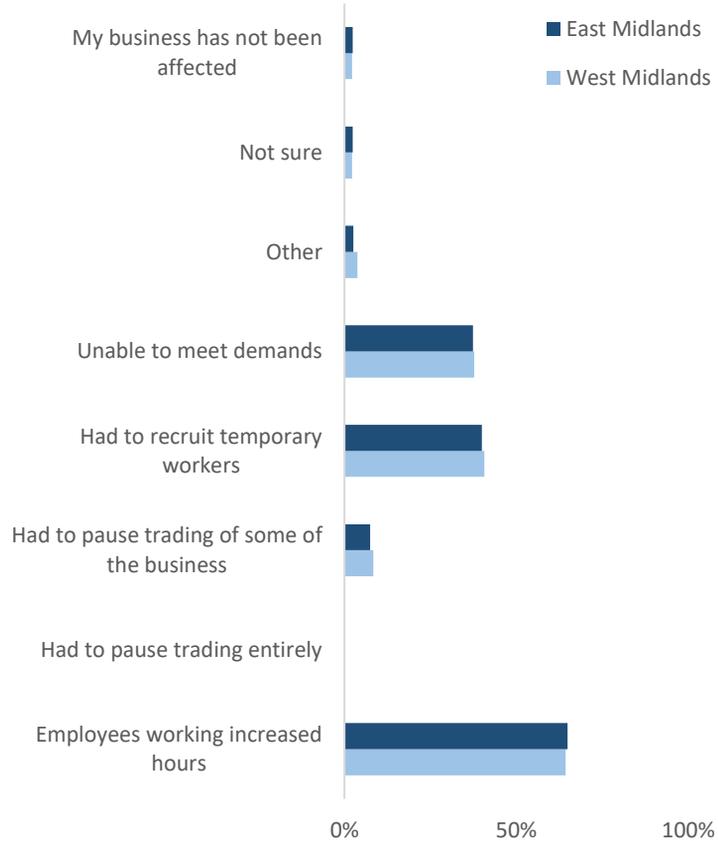
While both of the Midland regions at 73.6%, reported the business was not providing regular Covid-19 testing.

Worker Shortages

36.4% of West Midland businesses and 38.4% of East Midlands businesses reported to currently experiencing a shortage of workers.

Due to the shortage of workers, 64.4% of West Midlands businesses and 64.9% of East Midlands businesses reported employees were then working increased hours.

How the shortage of workers affected Midlands businesses (if any):



Source: ONS [Wave 54 of the Business Insights and Conditions Survey \(BICS\)](#).

In the West Midlands there was a response rate of 24.4% and in the East Midlands there was a response rate of 25.9% where businesses have a presence in the region. There was a response rate of 22.8% for the West Midlands and 25.9% of East Midlands where businesses are headquartered in the region. Survey reference period: 1st to 31st March 2022. Survey live period: 4th to 17th April 2022. As response rates are low and the data is unweighted and should be treated with caution.

The Rise of the UK Warehouse and the “Golden Logistics Triangle”

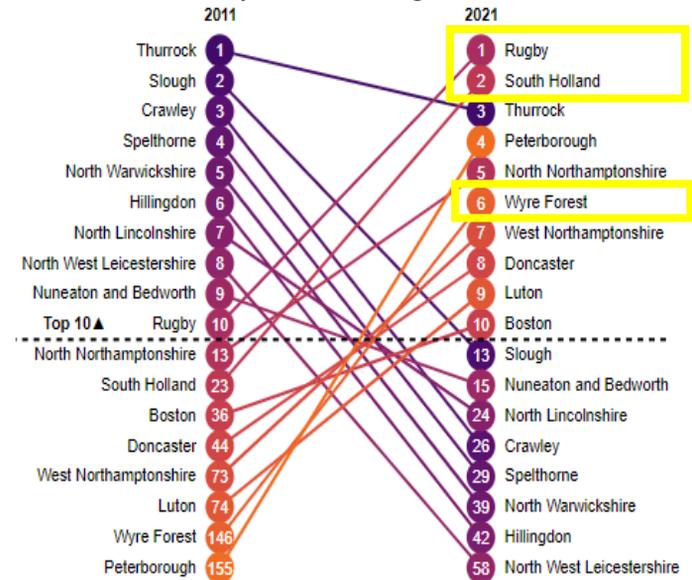
The phrase “golden logistics triangle” is believed to have originated in the late 1980s and covered an area around Magna Park in Lutterworth. It was so called because of its connectivity with the rest of the country. **The area covers 289 square miles in the Midlands, which is around half the size of London.** ONS have recently reported that the growth in online shopping has contributed to an increase in the number of warehouses and other logistics premises in the UK, with the so-called “golden logistics triangle” of the Midlands having expanded. **The following is a summary of this report:**

Transport and Storage Industry

In 2011, there were no local authorities in the UK where transport and storage was the dominant industry. However by 2021, there were 11 local authorities where this industry dominated, Midlands examples include; Rugby and South Holland. Notably, **in 2021, Rugby had the highest proportion of business units used for transport and storage in the UK at 17.5%. In terms of scale, Birmingham was fourth highest (2,500) for business premises occupied by this industry.**

The emergence of the Midlands, the East of England and Yorkshire & The Humber as logistics hubs reflects growth in the number of UK hauliers and couriers since 2011. The **West Midlands recorded a 15% increase in HGV traffic between 2011 and 2019; the largest rise of any English region.** Although, North Warwickshire, located in the region, had the highest carbon dioxide emissions per head from transport in 2019. **Immingham port** (North East Lincolnshire) saw transport and storage grow faster than other industries between 2011 and 2021 (similar patterns for Tilbury port, Newport and Felixstowe).

Ranking of local authorities by percentage of business units used for transport and storage, 2011 and 2021:



Source: ONS— Inter-Departmental Business Register

Employment in Transport and Storage Industry

Places close to airports are still the most likely to employ transport and storage workers (Crawley – Gatwick at 26.1% and Hounslow – Heathrow at 26%), despite business premises being most concentrated in the middle of the country. The UK-wide figure is approximately 5% of people were employed in this industry in 2020.

For the Midlands Engine area, **North West Leicestershire had the highest proportion at 22.4%.** Although, as seen in the following table, 7 of the top 15 areas for employment in transport and storage were in the Midlands Engine 65 local authority areas with a further 2 areas that fall into the Midlands area as a whole.

Top 15 local authorities for employment in transport and storage as a percentage of total employment in 2020:

Location	Employment in Transport & Storage as percentage of total 2020
Crawley	26.1%
Hounslow	26.0%
Thurrock	23.3%
North West Leicestershire	22.4%
Uttlesford	20.9%
Hillingdon	17.3%
North Warwickshire	15.6%
Harborough	15.4%
North Northamptonshire	14.6%
Slough	13.4%
West Northamptonshire	12.9%
Cannock Chase	12.8%
Newark and Sherwood	12.2%
Rugby	12.2%
Bolsover	12.1%

However, in Rugby, the place with the highest percentage of business premises used for transport and storage, the share of people employed in the industry fell slightly between 2015 and 2020 (from 13% to 12%). Similar trends were observed in Birmingham, Sandwell, Walsall and Warwick.

Source: ONS, [The rise of the UK warehouse and the “golden logistics triangle”](#) – released April 2022

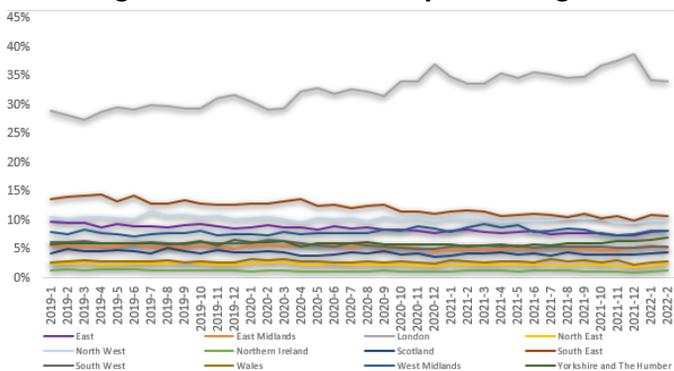
Fewer Firms are Created in UK Regions Outside London and the South East

Spatial Patterns of New Firm Formation

Recent data shows that the number of new firms created across the UK has grown relative to the pre-Covid period, indicating a strong recovery and future employment opportunities. However, **London still accounts for a disproportionately high percentage of the total number of new firms.**

The figure below plots the percentage of new firms created in UK regions by NUTS1 since January 2019 using all 5 million UK companies from Companies House. The percentage of firms created in London increased from 29.6% in January 2019 to 35% in January 2022. Whilst the percentage of firms created in South East declined to 10.7% in January 2022 from 13.6% in 2019. The total percentage of firms created in regions outside London and South East has decreased from 57% in January 2019 to just over 54% in January 2022.

Percentage of new firms created by NUTS1 regions:



Source: Companies House

There is also a large disparity between regions outside London and the South East. In January 2022, the North West leads other regions with 10% of new firms created. **The East Midlands and West Midlands follow with 8.2% of firms created.** While the share of firms created in the West Midlands briefly increased to 9.4 in March 2021, it fell to 8.2% again in January 2022.

Too Few High-Tech and Knowledge-Intensive Services Firms in Target Regions

For the UK overall, and particularly for regions outside London, more High technology (HTEC)/ knowledge-intensive services (KIS) firms need to be created as part of the wider drive to stimulate innovation. However, the opposite is happening. Combining firm registry data with [Eurostat data](#) on HTEC/KIS firms, we can trace the total volume and geographic distribution of these over time. Nationally, HTEC firms in the economy remain consistently low at around 0.2%, with no significant increase between 2019 and 2022, and the share of new HTEC/KIS firms declined from 36.8% in 2019 to 31.8% in 2022.

The figure below shows the share of new firms in HTEC/KIS industries except for London and the South-East in January 2019-2022. The share of HTEC/KIS firms decreased from 2019-2022 in almost all regions. The shares of HTEC/KIS firms in London and South-East are highest in the UK (35% and 36% respectively). There is also a wide discrepancy in the shares of HTEC/KIS firms among other regions. In the West Midlands, the share of HTEC/KIS firms is 26.6% in January 2022.

Share of new firms in HTEC/KIS industries:



What Kinds of Policy Interventions are Needed?

If the government follows up on its pledge to increase public R&D spending outside London by 40% by 2030, **there are significant opportunities to attract matched private sector investment in R&D.** But this should be done on the basis of a robust understanding of **(1) local regions and their very different growth constraints and opportunities, and (2) past evaluations and experience of R&D investment as a stimulus for local growth.** In particular we know that:

- Some policies can crowd out existing local industries.
- Inward investment by R&D-intensive firms which employ higher-skilled, higher-income earners usually has a positive effect on regional productivity (GVA per head) and consumption-driven multipliers through **increased demand for local services. But this can drive-up house prices and displace lower-skilled workers.**
- New entrants into a region may have fewer local linkages and may create less demand for local SME suppliers, resulting in lower spill-over or multiplier effects for other local firms.

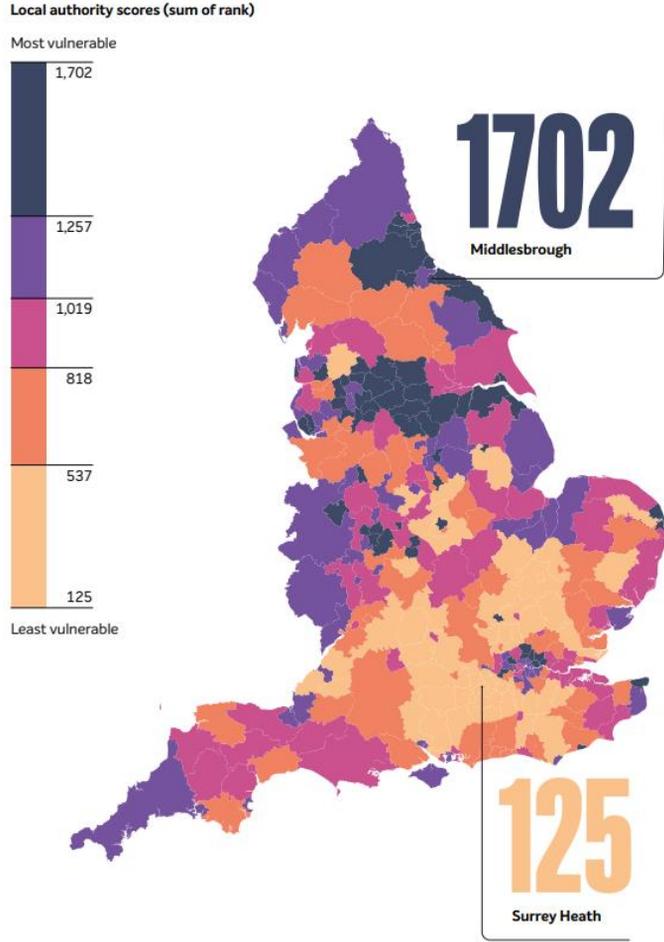
3. Cost of Living Crisis

Cost of Living Vulnerability Index

The Cost of Living Vulnerability Index highlights those places in England which are most likely to be hit the hardest without further government support; thus, being the most vulnerable to increasing poverty. The index explores place-based vulnerability at the Lower-Tier Local Authority (LTLA) level in England, where vulnerability to the cost of the living is characterised by a combination of:

- **Poverty-based vulnerability:** existing levels of poverty in a place, focusing on indicators that correspond with pressures arising from the cost of living crisis. Where a place with high levels of existing poverty is more vulnerable to an increase in its severity as a consequence of the cost of living crisis. Indicators include food insecurity, fuel poverty and child poverty.
- **Work-based vulnerability:** measurement based on vulnerability upon rates of participation in the formal labour market alongside the prevalence of low-paying jobs within a place. Where a place has high levels of work-based vulnerability, there is a heightened risk of people on the cusp of poverty threshold being pulled into a state of poverty as a consequence of the crisis. Indicators include universal credit claimant count, economic inactivity and low pay.

The Cost of Living Vulnerability Index:



Local Authorities in the top docile of the Index:

Local authority	Region	Food insecurity (% of adults)	Fuel poverty (% of households)	Child poverty (% of children)	Claimant count (% of working age)	Economic inactivity (% of working age)	Low pay (% of jobs)
Middlesbrough	North East	13.7	16.5	39.4	7.6	29.2	26.0
Kingston upon Hull, City of	Yorkshire and the Humber	20.7	19.6	36.3	7.4	23.9	23.0
Blackburn with Darwen	North West	18.2	16.4	36.1	6.1	27.7	23.0
Burnley	North West	17.4	16.4	35.8	6.5	26.7	23.0
Sandwell	West Midlands	23.7	20.9	40.0	7.3	21.4	23.0
Hyndburn	North West	19.1	15.6	35.9	6.0	27.7	24.0
Barking and Dagenham	London	18.6	22.5	48.1	7.5	34.7	15.0
Leicester	East Midlands	11.5	19.0	37.9	5.7	28.2	27.0
Blackpool	North West	16.8	16.3	34.1	8.6	23.3	32.0
Wolverhampton	West Midlands	14.4	21.1	38.9	8.0	24.7	18.0
Birmingham	West Midlands	11.8	21.2	42.5	9.1	27.8	18.0
Doncaster	Yorkshire and the Humber	14.2	17.8	34.7	5.3	24.9	25.0
Walsall	West Midlands	13.9	19.4	38.9	6.4	25.4	18.0
Bradford	Yorkshire and the Humber	19.9	18.4	37.7	7.4	23.3	17.0
Rochdale	North West	12.2	15.7	36.0	6.7	30.5	20.0
Newham	London	17.4	21.7	50.0	7.8	23.7	14.0
Rotherham	Yorkshire and the Humber	13.7	17.0	34.3	5.3	25.6	20.0
Bolton	North West	11.1	14.8	37.0	6.3	29.9	23.0
Manchester	North West	11.5	19.8	41.8	6.6	23.9	18.0
Coventry	West Midlands	16.9	18.8	36.5	4.9	26.3	16.0
North East Lincolnshire	Yorkshire and the Humber	13.8	16.7	35.1	5.0	26.0	19.0
Kirklees	Yorkshire and the Humber	16.0	16.8	36.1	4.8	23.8	19.0
Preston	North West	18.5	15.1	33.8	4.9	28.1	19.0
Pendle	North West	11.0	17.3	35.6	5.5	23.2	25.0
Hartlepool	North East	16.4	14.8	37.8	6.2	26.1	17.0
Brent	London	13.6	17.3	40.0	7.7	28.4	12.0
Redcar and Cleveland	North East	14.1	14.4	36.8	4.9	27.7	19.0
Stoke-on-Trent	West Midlands	20.5	21.8	37.8	6.1	20.6	16.0
Nottingham	East Midlands	11.4	18.5	35.7	5.8	22.1	20.0
Barnsley	Yorkshire and the Humber	14.8	18.6	33.3	4.3	26.6	17.0
Redbridge	London	16.8	15.4	39.7	5.8	25.5	13.0

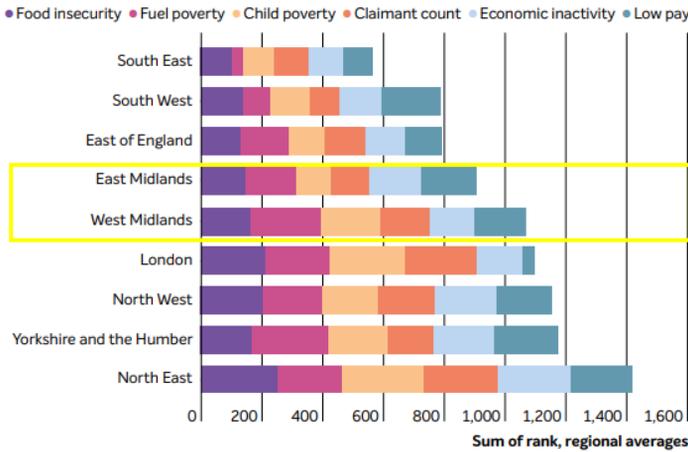
Headline statistics found within the Index include that **8.9m people live in places identified as the most vulnerable to increasing poverty across all indicators**, with significant variance in their drivers of vulnerability to the cost of living crisis. For example, **Stoke-on-Trent has some of the highest levels of food insecurity in the country**, but sits around the median score for low pay.

As can be viewed within the top docile of the index, all of the placed are based within the **North, the Midlands and London which were identified as highly and uniquely vulnerable to severe rises in poverty**. Likewise, it can be seen that urban areas who exclusively make the list are half of the English core cities including Birmingham and Nottingham. The remaining places in the list are occupied by smaller cities such as Coventry. Notably, **52% of the most vulnerable Local Authorities contained former Red Wall constituencies** like Sandwell in the West Midlands.

Source: [Centre for Progressive Policy](#), 2022

Cost of Living Vulnerability Index

Breakdown of Rank by Region and Indicator:



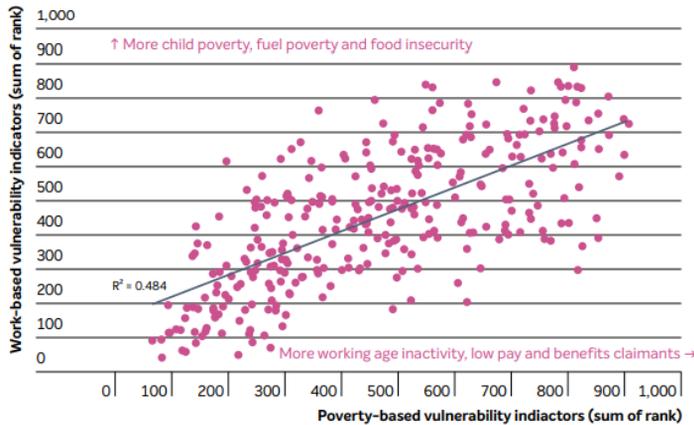
The scale and nature of vulnerability to poverty varies across regions, with the highest being in the North East and the lowest in the South East. The Midlands fall in the middle, with the West Midlands being the fifth highest and the East Midlands being the sixth highest.

In the East Midlands, the vulnerability sum of rank added up to **913**, of which **463 (50.7%)** was poverty-based vulnerability and **450 (41.3%)** was work-based vulnerability. Within poverty-based vulnerability, **153 (10.4% of all adults)** was food insecurity, **155 (12.7% of all households)** was fuel poverty and **155 (28.1% of children)** was child poverty. Within work-based vulnerability, **150 (3.9% of working age population)** was claimant count, **154 (20.8% of working age population)** was economic inactivity and **145 (16.1% of jobs)** was low pay.

In the West Midlands, the vulnerability sum of rank added up to **1001**, of which **506 (50.5%)** was poverty-based vulnerability and **495 (49.5%)** was work-based vulnerability. Within poverty-based vulnerability, **162 (10.8% of all adults)** was food insecurity, **170 (13.0% of households)** was fuel poverty and **173 (29.6% of children)** was child poverty. Within work-based vulnerability, **167 (4.1% of working age population)** was claimant count, **168 (21.5% of working age population)** was economic inactivity and **160 (16.8% of jobs)** was low pay.

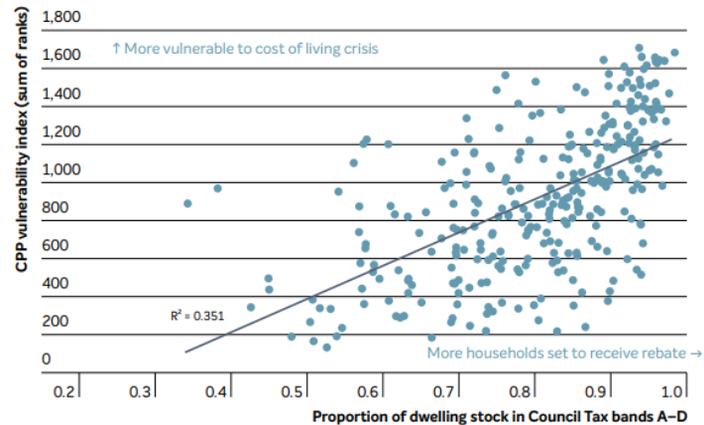
Generally, the West Midlands was more vulnerable to poverty than the East Midlands. The East Midlands vulnerability came more so from poverty-based vulnerability rather than work-based vulnerability, whilst the West Midlands was more equally spread across its indicators. Hence, in the Midlands, the biggest drivers of vulnerability were **child poverty, low pay, economic inactivity and claimant counts.**

Local Authority's Poverty vs Work-Based Vulnerability:



Viewing the scatterplot, it demonstrates that there are numerous Local Authorities which have a weak correlation between poverty and work-based vulnerability measures. There is a distinction in the nature of the crisis among urban-rural lines. Coastal and rural places in the South and the East of England are significantly more vulnerable to the work-based criteria rather than the poverty-based criteria. This compares to London and the West Midlands where large pockets of high deprivation already exist, in London driven by high levels of child poverty, and in the **West Midlands driven by relatively higher levels of fuel poverty and food insecurity.**

Local Authority's Vulnerability vs the share of housing stock in Council Tax bands A-D:



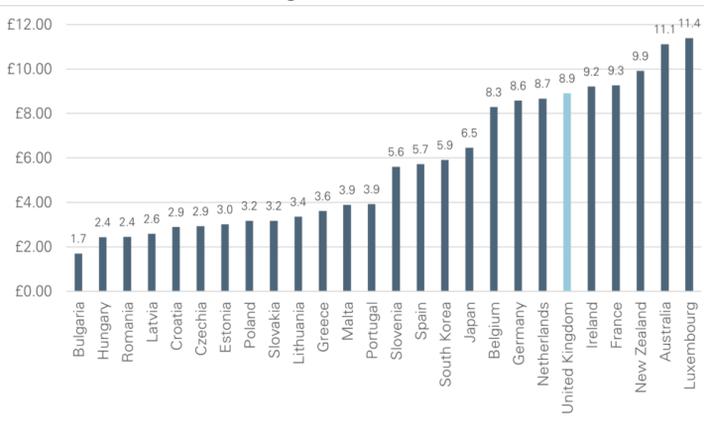
To support households with rising energy costs, the government has committed **£3bn** to administer a **£150 rebate** to households within Council Tax bands A-D. However, as shown in the scatterplot, the proportion of households in band A-D is weakly related to the cost of living vulnerability index ranking. This showing that households with low vulnerability will receive the same level of support as those in need. Government support hence proves insufficient, with **78% of places which benefit the most from the council tax rebate are not those which are the most vulnerable to the cost of living.**

The National Minimum Wage: An International, National and Regional Perspective

The 1st of April 2022 marks the 23rd year since the introduction of the National Minimum Wage (NMW) in the UK by Tony Blair's Labour government in 1999. The day is also notable as it sees the [minimum wage rise for workers across the UK](#). For over 23s, the National Living Wage (NLW, introduced in 2016) will rise from £8.91 to £9.50 per hour. For those aged 21-22 and for whom the NMW still exists, the NMW rate will rise from £8.36 to £9.18, whilst for workers aged 18 to 20, it will rise from £4.62 to £4.81. The Apprentice rate will rise from £4.30 to £4.81.

Described as **“one of the most significant labour market interventions”** made by Blair's government, it increased the pay of well over one million low paid workers by **about 15% overnight at the point of introduction**. Initial fears that the introduction of the minimum wage would lead to an overall loss of jobs have **proved unfounded**. Indeed, a review of international evidence on the impacts of minimum wages for the Treasury, found that recent evidence from the US, UK and other developed countries **“points to a very muted effect of minimum wages on employment, while significantly increasing the earnings of low paid workers”**. Even during periods of recession, **employers appear to “absorb” minimum wage increases** through higher prices, lower profits and increased worker productivity as opposed to laying off staff.

National minimum wages, Jan 2021:



Source: LPC estimates using Eurofound Minimum wages in 2021: Annual review and wage indicator.

As shown in the chart on the right, 5.9% of workers nationally currently receive either the NMW or the NLW. The proportion differs across the UK, being highest in Northern Ireland at 9% and lowest in London at 3.8%. **Regions with a higher share of minimum wage workers generally have a higher proportion of low-paid workers. This indicates that a strong connection exists between the share of minimum wage workers and the strength of the local economy and its industrial/occupational composition.**

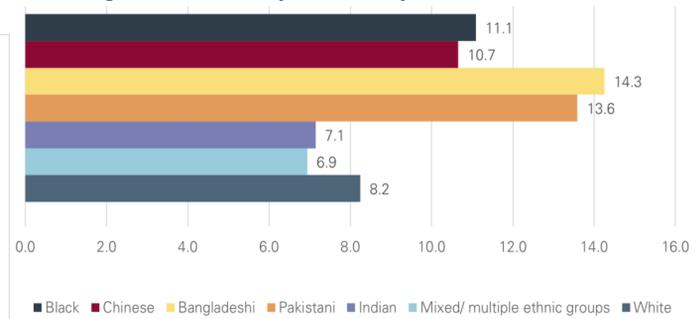
Coverage of the NMW/NLW rates for workers aged 16+, ranked by coverage proportion, 2021:



Source: LPC 2021 Report data

Across England, the East and West Midlands stands out for the high proportion of workers receiving the NMW or NLW, indicating a need to focus on creating high quality higher paid employment. **7.8% of workers aged above 16 are currently paid the NMW/ NLW in the West Midlands, with 7.4% in the East Midlands, which is a higher proportion compared to the UK.** The West Midlands ranks third, and the East Midlands fourth in coverage of the NMW/NLW rates for workers 16+ following Northern Ireland and the North East.

Coverage of NLW by ethnicity in the UK, 2020 Q1:



Source: LPC estimates using LFS microdata, income weights, quarterly, imputed wages, not seasonally adjusted, 2016-2020

According to the Low Pay Commission (LPC) data, the proportion of people receiving the NLW **differs according to ethnicity**. It is highest amongst people of Bangladeshi and Pakistani origin and lowest amongst workers of mixed ethnicity or of Indian origin. There were 14.3% of Bangladeshi people being paid minimum wage in the UK at the beginning of 2020 followed by 13.6% of Pakistani people and 11.1% of black people. **Also, data shows that females and people over 60 years old are more likely to be on minimum wage pay.**

Source: [West Midlands Weekly Economic Impact Monitor](#) – April 2022

Fuel Poverty

The **Low Income Low Energy Efficiency (LILEE)** fuel poverty metric was set out in the [Fuel Poverty Sustainable Warmth strategy](#) published in February 2021. The LILEE indicator considers a household to be fuel poor if:

- it is living in a property with an energy efficiency rating of band D, E, F or G as determined by the most up-to-date [Fuel Poverty Energy Efficiency Rating \(FPEER\)](#) Methodology; and
- its disposable income (income after housing costs (AHC) and energy needs) would be below the poverty line.

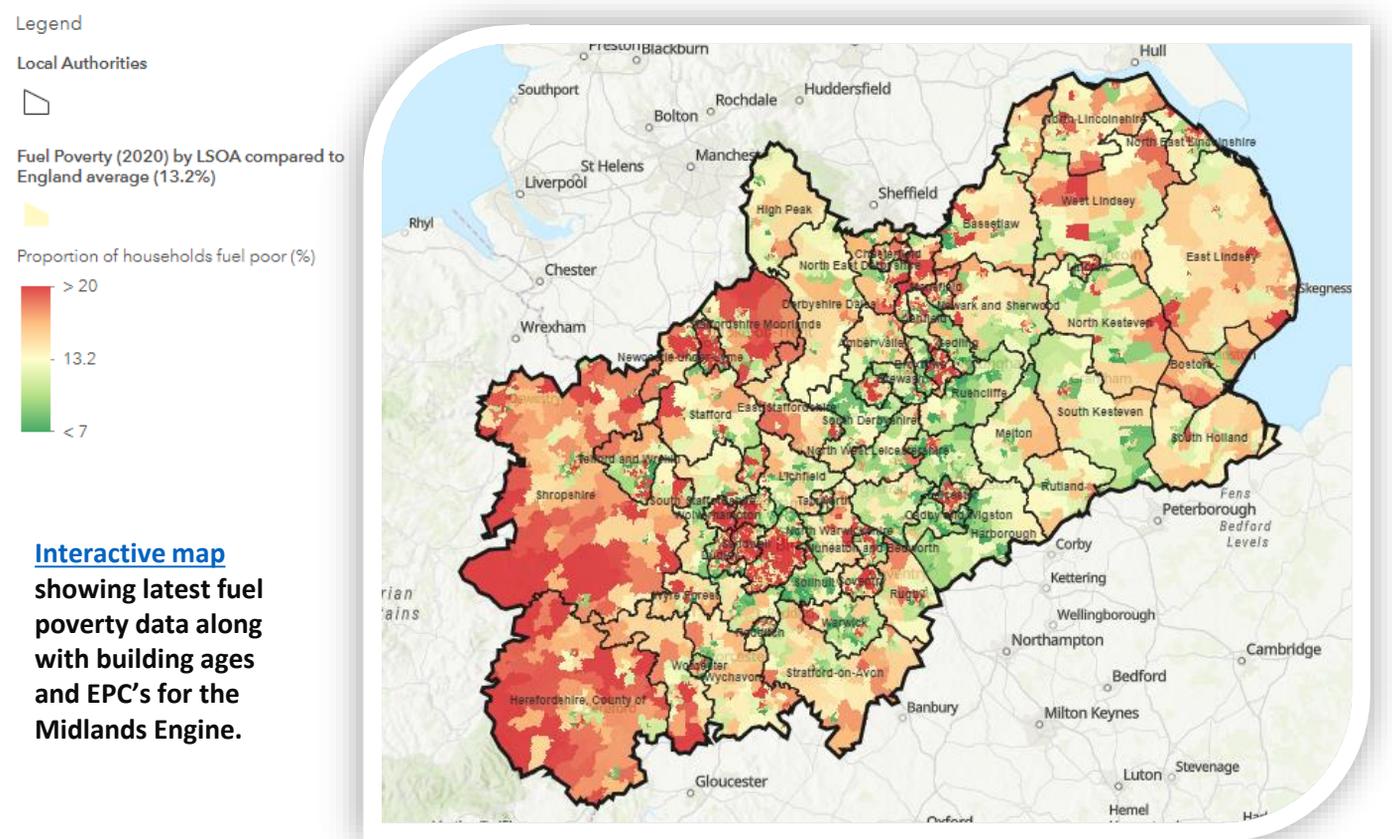
In 2020, **16.5% of households in the Midlands Engine area were fuel poor** compared to 13.2% England-wide. This equated to approximately **718,995 households** in the Midlands Engine area. This has **increased by 2.9% or 20,101 households** since 2019. **England-wide, there has been a 0.6% decline** since 2019.

At a regional level, the **West Midlands remains the highest for households that are fuel poor at 17.8%** (up from 17.5% in 2019). The **East Midlands was ranked in the middle of all 9 English regions at 14.2%**, this has moved up one place since 2019 where it was 13.9%.

There were 9 local authorities with a fuel poverty rate above 18% in 2020. Of these, eight had a fuel poverty rate above 20% in 2020 with **five in the West Midlands and one in the East Midlands**; Stoke-on-Trent (22.1%), Birmingham (21.8%), Coventry (20.3%), Sandwell (20.8%), Wolverhampton (22.4%) and Nottingham (20.6%). In contrast, **19 local authorities in the Midlands Engine area, were at or below the national rate of 13.2% of households that were fuel poor** in 2020, example include; Blaby (9.6%), Harborough (9.7%) and Rushcliffe (10.2%).

Since 2020, there has been a **decline in the number of households classed as fuel poor in 15 local authorities in the Midlands Engine**. The largest decrease was in South Holland at -6.3% (-361) to 5,711 households or 14.3% of households fuel poor. The highest percentage increase was in Nottingham at +11.5% (+2,886) to 25,068 households or 11.5% of households fuel poor.

The following map shows the percentage of households that were fuel poor in 2020 in comparison to the England-wide proportion across the Midlands Engine:



DISCLAIMER OF LIABILITY

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

For any queries please contact the lead authors:

Professor Delma Dwight/ Rebecca Riley/ William Rossiter

Delma_Dwight@blackcountryconsortium.co.uk R.L.Riley@bham.ac.uk William.Rossiter@ntu.ac.uk



Produced by:

In Partnership: