



MIDLANDS ENGINE QUARTERLY ECONOMIC COMMENTARY MAY 2020



Introduction

Welcome to the sixth edition of the Midlands Engine Quarterly Economic Commentary. This report is produced by the Midlands Engine Economic Observatory which is a partnership commissioned by the Midlands Engine.

Please note, the statistics in the following document relate to before the Coronavirus pandemic. For other releases related to the Coronavirus pandemic please refer to the fortnightly Midlands Engine Economic Impact of COVID-19 Monitor. We still hope the findings are helpful and provide a baseline of the economic characteristics and trends of the Midlands economy pre-Covid19.

The purpose of the report is to provide intelligence that can inform, support and influence important decision making to ensure strategy and policy in the Midlands is evidence led. The report is produced on a quarterly basis with each quarter reporting on the latest data to be released. This quarter (May 2020) is centred on people with the main focus on qualification levels.

The report is supported by a master spreadsheet of data which contains a selection of headline indicators from national data sources. The data can be downloaded via the Midlands Engine website (www.midlandengine.org/observatory) and is updated each quarter. The indicators are made available at Local Authority level.

We welcome any feedback on the content and format to ensure this report meets the needs of partners. Please forward any feedback to Observatory@midlandengine.org

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Glossary:

- **Economically Active:** People that are aged between 16 years old to 64 years old that are either in employment or unemployed but available for employment.
- **Economically Inactive:** People that are aged between 16 years old to 64 year olds without a job and who have not sought work in the last four weeks and/or not available to start work in the next two weeks.
- **GVA:** Gross Value Added – a measure of economic activity
- **GVA per Head:** This is calculated by the weekly number of hours worked by head and multiplied by 52 weeks and then divided by the total annual GVA figure in billions.
- **School Readiness:** The percentage of children aged 5 achieving a good level of development at the end of reception (Year 0, Nursery, or FS2 - foundation second year).
- **GDP:** Gross Domestic Product: This measures the value of goods and services produced in the UK. 2

Key Messages in Context

School readiness

- The 2018/19 data on the 'readiness' of 5 years olds for schools shows the Midlands Engine average at 1.2 percentage points (pp) below the national average (70.6% vs 71.8%). The score varies from a high in Rutland at 77.8% and a low in Sandwell with 66.8%. The growth rate exceeds the England average since 2017/18 (0.8pp vs 0.3pp).

Apprenticeships

- In 2018/19 there were a total of 78,700 apprenticeship starts in the Midlands Engine, this is a increase of 5.8% (+4,290) apprenticeships from 2017/18, which is above the national increase of 4.7% increase. The rise can be attributed to the normalising of the business levy, for example; businesses understanding how to use the levy monies and the realisation that if they didn't they would lose the money.
- Of the 78,700 apprenticeships, 29,400 of these were at Intermediate, 35,390 Advanced and 13,910 Higher Level.

Qualifications

- Significant progress has been made in terms of a reduction in the number of working age people across the Midlands Engine with no qualifications from 17.9% in 2004 (1,024,600 people) to 9.1% in 2019 (572,800 people).
- Compared to 2018, there was a 3.5% (-20,600 people) decrease compared to a 1.3% decrease for the UK. To reach the UK average (7.9%) requires a further 76,609 of working age residents to obtain at least one qualification.
- In 2019, the percentage of people with a NVQ4 and above qualifications grew in the Midlands Engine at a faster rate than the UK average (an increase of 3.8% in the Midlands Engine vs 2.9% increase for the UK). However the Midlands still has a significantly lower percentage of people qualified to NVQ4 and above than the UK average (34.0% vs a UK average of 40.2%, this drops to 37.1% for England minus London). Worryingly the gap between the Midlands and the UK in 2019 (6.2pp) is wider than it was in 2004 (3.3pp).

Economic Activity/Economic Inactivity

- 78.3% (4,928,200) of the working age population in the Midlands Engine were classed as economically active in 2019. The economic activity rate has increased by 1.0pp above the UK growth rate of 0.5pp since 2018.
- The average employment rate in 2019 across the Midlands Engine was 74.7% (4,705,000). Compared to 2018, the employment rate has increased by 1.2pp, which was above the UK growth rate of 0.6pp. For the Midlands Engine to reach the UK average employment rate (75.6%) requires an increase of 55,003 people.
- The Midlands Engine unemployment rate was 4.5% in 2019. When compared to 2018, the unemployment rate has decreased by 0.3pp for the Midlands Engine and the UK.
- Those classed as economically inactive in the Midlands Engine can be broken down into students (369,300 people – 27.0%), looking after the family/home (329,500 people – 24.1%), inactive due to sickness (355,800 people – 26.0%), retired (167,500 people -12.2%) or other (145,800 people -10.7%).

GVA per Hour Worked

- In 2018, GVA per hour (unsmoothed) was £30.80 in the Midlands Engine, with a gap of £4.23 to the UK (£35.03). Between 2010 and 2018, the Midlands Engine GVA per hour has increased by 19.2%, faster than the UK growth rate of 17.6%.

Regional GDP

- The growth in GDP varies between region with positive growth in the East Midlands between 2018 Q3 and 2019 Q3 at 0.7%, while for the West Midlands there was negative growth of 1.5% as more industries experienced negative growth than previous time periods. Over the same period, England had positive growth of 1.5%.
- Between 2019 Q2 and 2019 Q3, the East Midlands had negative growth of 0.8%, while the West Midlands had positive growth of 0.6% - matching the England average.

Key Statistics

Apprenticeship Starts in 2018/19

 +5.8% Midlands Engine

 +4.7% Eng.

(2017/18 – 2018/19)

The proportion of the Working Age Population with **No Qualifications decreased at a faster rate than the UK**

 -3.5% Midlands Engine

 -1.3% UK

(2018-2019)

The proportion of the Working Age Population with **NVQ4 + Qualifications Increased at a faster rate than the UK**

 +3.8% Midlands Engine

 +2.9% UK

(2018-2019)

Unemployment rate is at **4.5%**

 -0.3pp Midlands Engine

 -0.3pp UK

(2018-2019)

74.7% of people in the Midlands Engine are employed

 +1.2pp Midlands Engine

 +0.6pp UK

(2018-2019)

21.7% of people are economically inactive

 -1.0pp Midlands Engine

 -0.6pp UK

(2018-2019)

GVA per hour is £30.80

 +3.5% Midlands Engine

 +2.2% UK

(2017-2018)

School readiness in the Midlands Engine is **70.6%**

 +0.8pp Midlands Engine

 +0.3pp Eng.

(2017/18 – 2018/19)

Economic activity has increased to **78.3%**

 +1.0pp Midland Engine

 +0.5pp UK

(2018-2019)

Quarterly GDP in Q3 2019

(2019 Q2 – 2019 Q3)

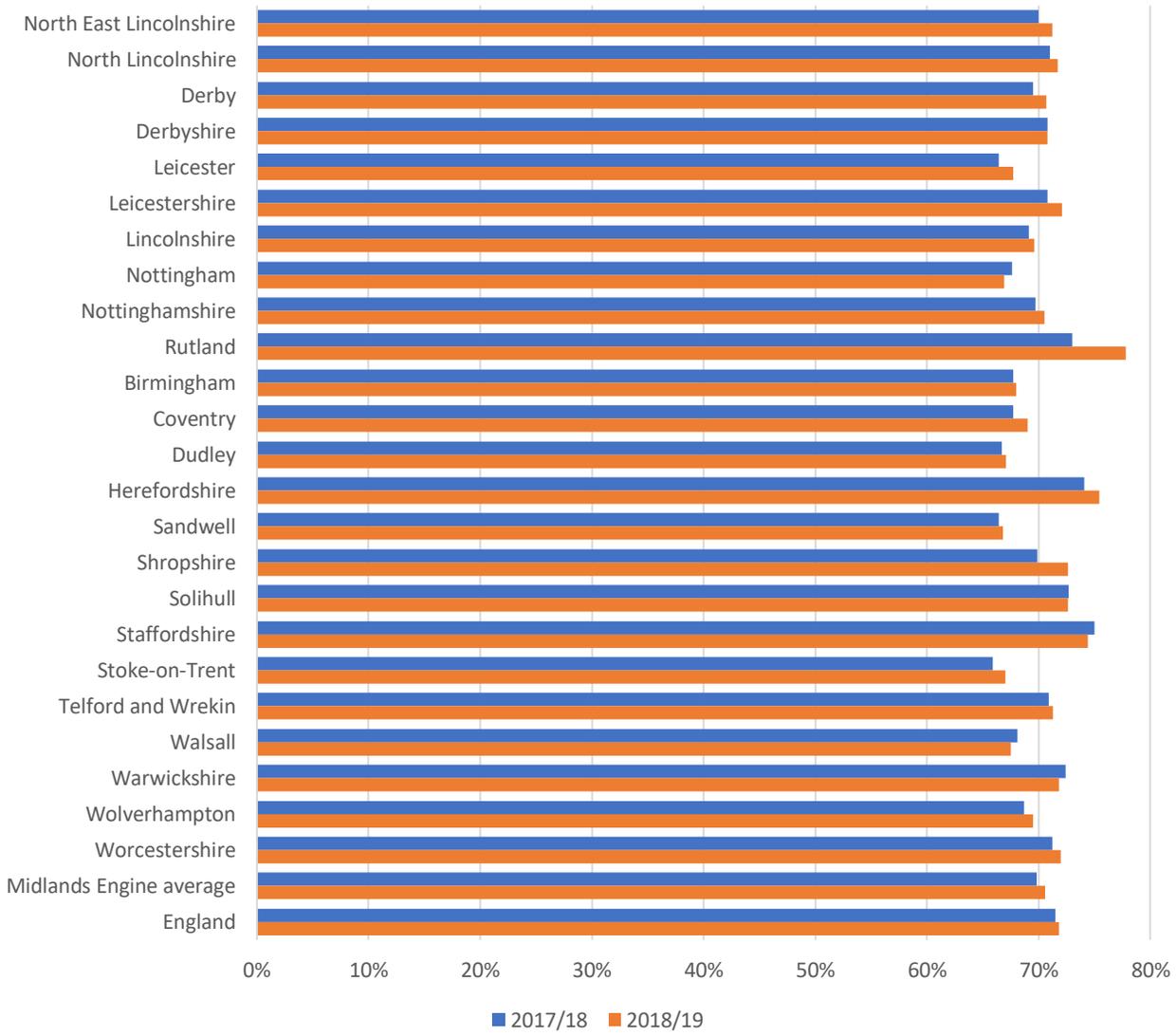
 -0.8% East Midlands  +0.6% West Midlands  +0.6% Eng.

Unless otherwise stated, the data for the Midlands Engine area relates to the 65 LA's (Rutland is now included) contained across the 9 LEPs.

School Readiness

- School readiness at age 5 has a strong impact on future educational attainment and life chances. Children who don't achieve a good level of development at age 5 struggle with social skills, reading, maths and physical skills.
- In 2018/19, the Midlands Engine average school readiness score was 70.6%, while the England average was 71.8%. Since 2017/18, this score has increased by 0.8pp for the Midlands Engine, while for England there was an increase of 0.3pp.
- Eight areas had a higher or the same school readiness achievement score when compared to the England average, examples include; Rutland with 77.8% (which has increased by 4.8pp since 2017/18), Herefordshire with 75.4% and Shropshire and Solihull both with 72.6%
- Areas with a lower school readiness achievement score include; Sandwell with 66.8%, Stoke on-Trent with 67.0% and Walsall with 67.5%.

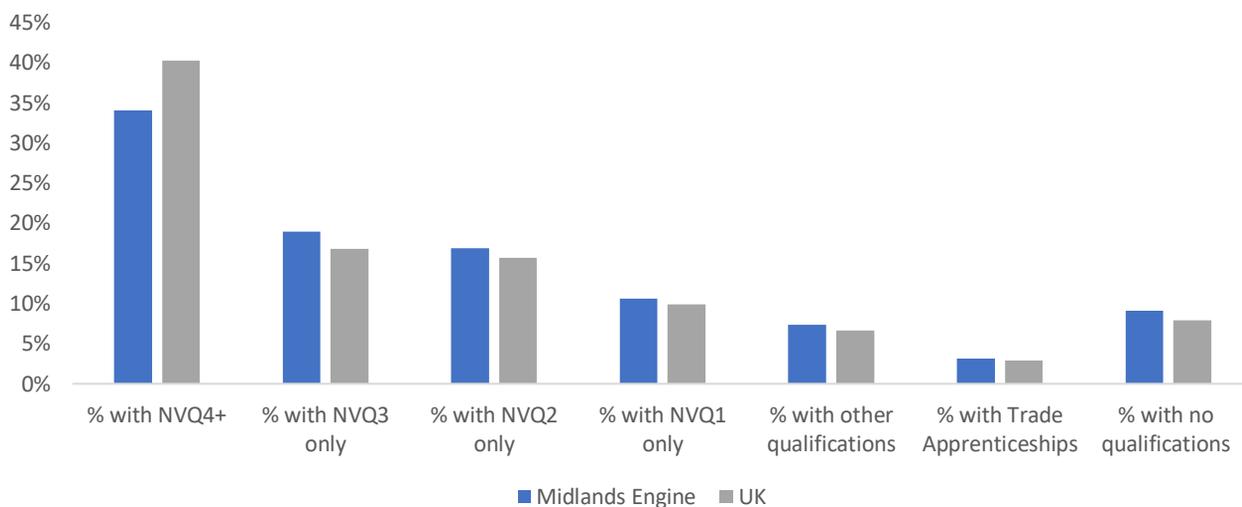
**School Readiness across the Midlands Engine and England:
2017/18 and 2018/19**



Qualifications

- Across the Midlands Engine geography, 34.0% (2,134,600) of the working age population (16-64 years old) were educated to NVQ level 4 and above in 2019, the UK average was 40.2%. NVQ4 and above Qualifications have increased by 3.8% (+77,800 people) from 2018, compared to the UK growth of 2.9%. To reach the UK average of 40.2% requires an additional 390,322 people to gain an NVQ4 qualification.
- 18.9% (1,188,900) hold a NVQ3 qualification in the Midlands Engine area which is above the UK average of 16.8% in 2019. Since 2018, this is an increase of 3.8% (+43,300), while the UK experienced a decrease of 1.1%.
- 16.9% (1,061,300) hold a NVQ2 qualification in the Midlands Engine which is above the UK average of 15.7% in 2019. Since 2018, the proportion has remained the same percentage but the number of people has decreased by 300 people while the UK decreased by 0.2%.
- 10.6% (667,300) hold a NVQ1 qualification in the Midlands Engine which is above the UK average of 9.9% in 2019. Since 2018, this is a decrease of 8.4% (-61,000), the UK has decreased by 4.1%.
- In 2019, 9.1% (572,800) of the working age population in the Midlands Engine had no qualifications which is above the UK average of 7.9%. However, over the past year there was a 3.5% (-20,600 people) decrease compared to a 1.3% decrease for the UK. Notably, Rugby has decreased from 9,200 people (14.2%) in 2018 to 2,800 people (4.2%) for the number of people with no qualifications. To eradicate the gap with the national average, a further 76,609 working age Midlands Engine residents are needed to obtain at least one qualification.

Midlands Engine and UK Qualification levels in 2019

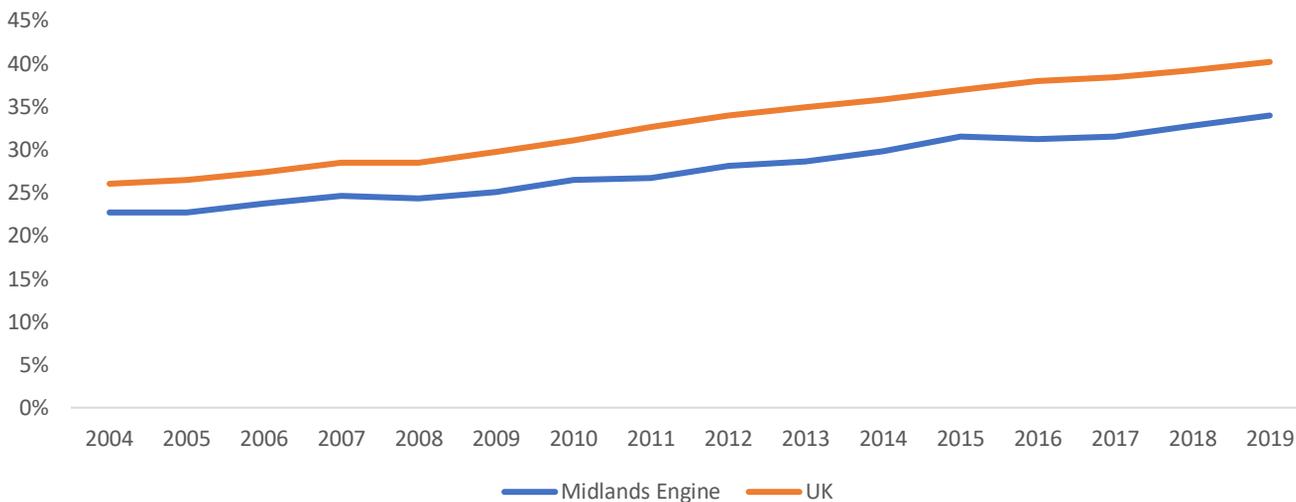


Qualification Levels for the Working Age Population	2018	2019	2019 %	% UK	Midlands Engine % Change 2017/18	Gap to UK
% with NVQ4+	2,056,800	2,134,600	34.0%	40.2%	+3.8%	+390,322
% with NVQ3 only	1,145,600	1,188,900	18.9%	16.8%	+3.8%	Above UK
% with NVQ2 only	1,061,600	1,061,300	16.9%	15.7%	0.0%	Above UK
% with NVQ1 only	728,300	667,300	10.6%	9.9%	-8.4%	Above UK
% with Other Qualifications	508,600	460,500	7.3%	6.6%	-9.5%	Above UK
% with Trade Apprenticeships	175,900	195,700	3.1%	2.9%	+11.3%	Above UK
% with No Qualifications	593,400	572,800	9.1%	7.9%	-3.5%	-76,609

Qualifications

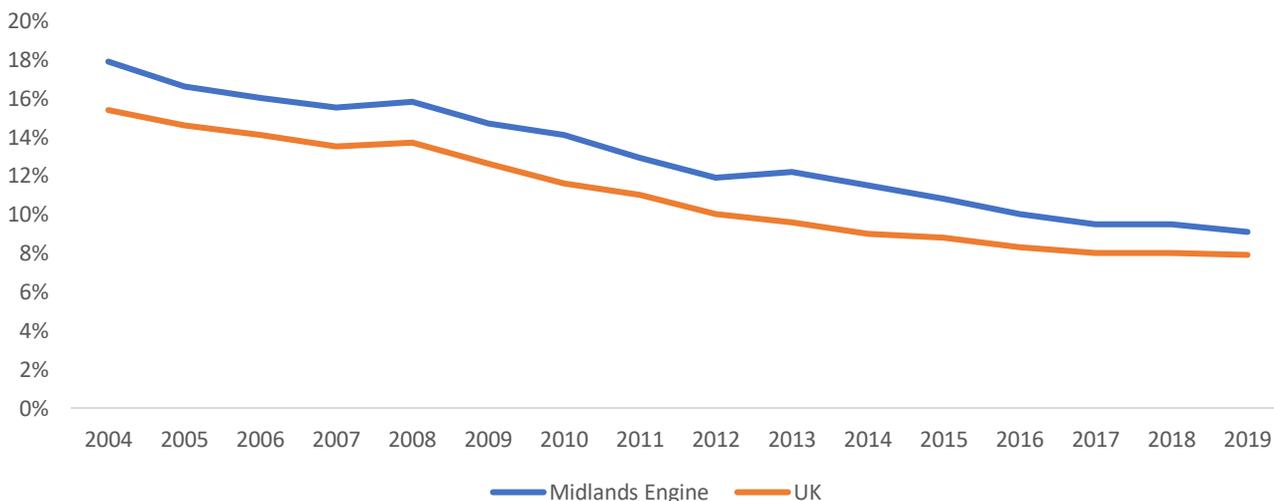
- Since 2004, the proportion of people qualified to NVQ4 and above has steadily increased across the Midlands Engine and the UK. However, the gap between the Midlands Engine and UK has increased from 3.3pp in 2004 to 6.2pp in 2019.
- Overall, since 2004 the percentage of people qualified to NVQ4 and above has increased by 64.9% which is slightly below the UK growth of 71.1%.

Percentage of Working Age Population with NVQ4+



- Since 2004, the proportion of people with no qualifications has steadily decreased across the Midlands Engine mirroring the UK trend (excluding 2018 where the UK increased by 0.2%). The gap between the Midlands Engine and UK has decreased from 2.5pp in 2004 to 1.2pp in 2019.
- Overall, since 2004 the percentage of people with no qualifications has decreased by 44.1% which is above the UK decline of 43.4%.

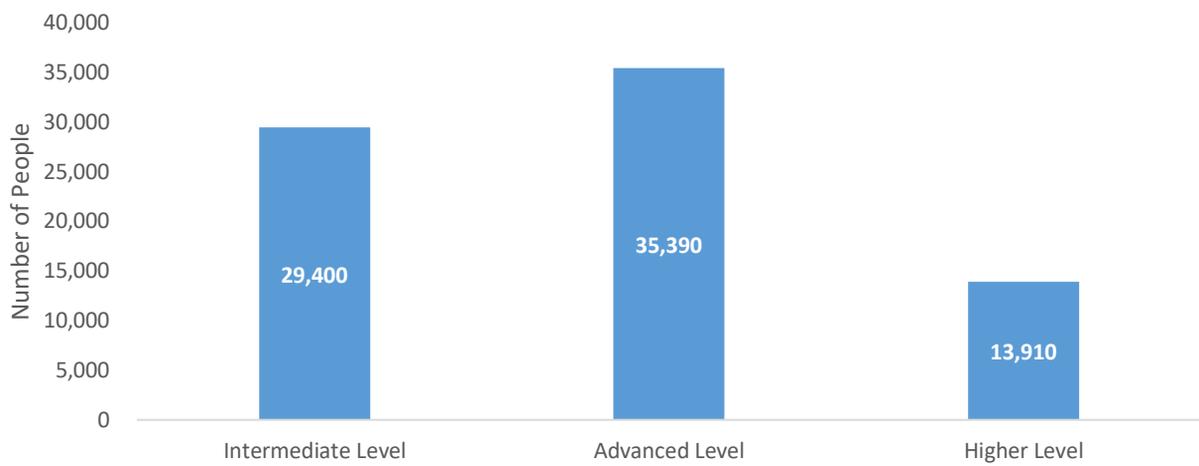
Percentage of Working Age Population with No Qualifications



Apprenticeships

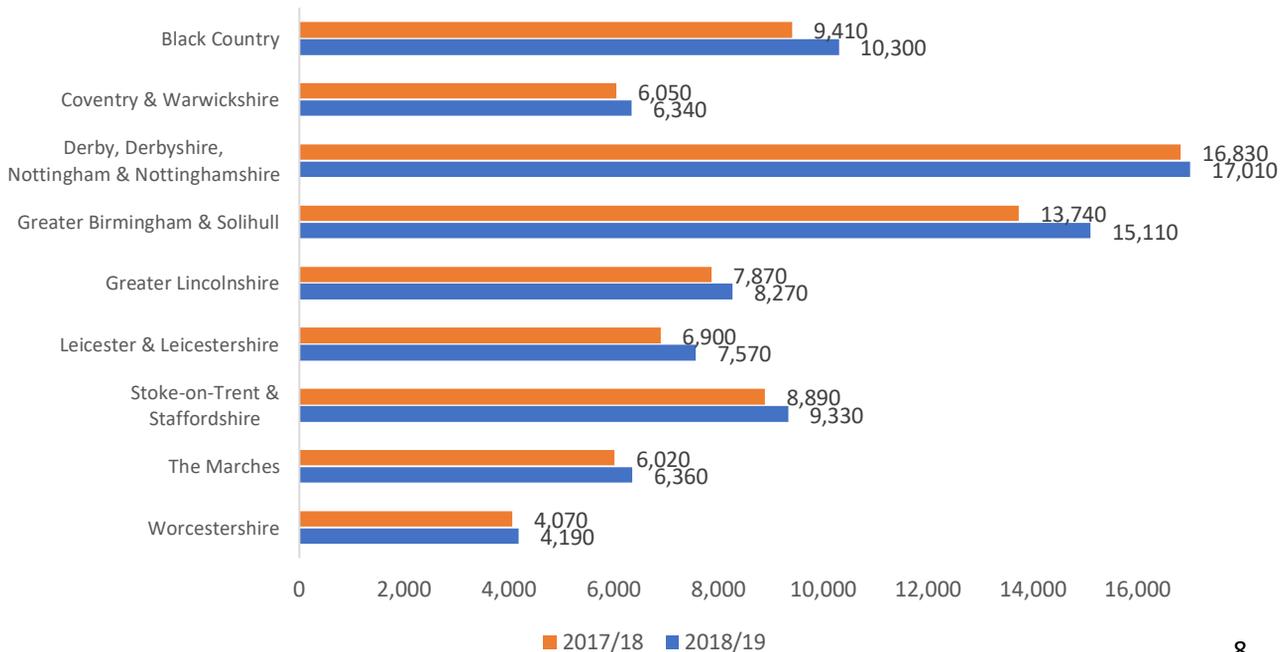
- In 2018/19 there were a total of 78,700 apprenticeship starts in the Midlands Engine, this is an increase of 5.8% (+4,290) apprenticeships from 2017/18, which is above the national increase of 4.7%. Of the 78,700 apprenticeships, 29,400 of these were at Intermediate, 35,390 Advanced and 13,910 Higher Level.

Apprenticeship Starts in the Midlands Engine, 2018/19



- In 2018/19, Derby, Derbyshire, Nottingham and Nottinghamshire LEP had the highest number of apprenticeships starts at 17,010, followed by Greater Birmingham and Solihull LEP at 15,110 starts. Worcestershire had the lowest number of apprenticeships starts at 4,190.
- Between 2017/18 and 2018/19, Greater Birmingham and Solihull LEP had the highest increase in the total number of apprenticeship starts at 1,370 (+1,370), this was followed by the Black Country LEP at 890 (+9.5% to reach 10,300).

Total Number of Apprenticeships Starts Across the Midlands Engine LEPs, 2017/18 to 2018/19



Apprenticeships

LEP Analysis by Apprenticeships Starts Levels in 2018/19:

	Intermediate	Advanced	Higher	Total
Black Country	4,000	4,510	1,790	10,300
Coventry & Warwickshire	2,270	2,880	1,180	6,340
Derby, Derbyshire, Nottingham & Nottinghamshire	6,430	7,570	3,030	17,010
Greater Birmingham & Solihull	5,520	6,710	2,880	15,110
Greater Lincolnshire	3,220	3,760	1,290	8,270
Leicester & Leicestershire	2,820	3,380	1,360	7,570
Stoke -on-Trent & Staffordshire	3,340	4,340	1,640	9,330
The Marches	2,230	3,240	890	6,360
Worcestershire	1,660	1,780	760	4,190

- Across all the Midlands Engine LEPs, there was a decrease in intermediate apprenticeships starts between 2017/18 and 2018/19. The largest number decrease was in the Derby, Derbyshire, Nottingham & Nottinghamshire LEP at 1,140 (-15.1% down to 6,430). The smallest decrease was in the Marches LEP at 130 (-5.5% to 2,230) and in Worcestershire LEP at 130 (which equates to a 7.3% decrease to 1,660).
- Across all the Midlands Engine LEPs, there was an increase in advanced apprenticeships starts between 2017/18 and 2018/19. The largest number increase was in Greater Birmingham and Solihull LEP at 560 (However, this only equates to +9.1%). The second largest number increase was in the Black Country LEP at 540 (+13.6% - the second highest percentage increase). In terms of largest percentage increase this was seen in the Leicester and Leicestershire LEP at 15.4% (+450 – third highest in numbers).
- Across all the Midlands Engine LEPs, there was a increase in higher apprenticeships starts between 2017/18 and 2018/19. The largest number increase was in Greater Birmingham and Solihull LEP at 1,150 (However, this equates to 66.5%). The second largest number increase was in the Derby, Derbyshire, Nottingham and Nottinghamshire LEP at 960 (+46.4%). In terms of largest percentage increase this was seen in the Marches LEP at 89.4% (+420).

Percentage and number change by LEP for Analysis by Apprenticeships Starts Levels in 2018/19:

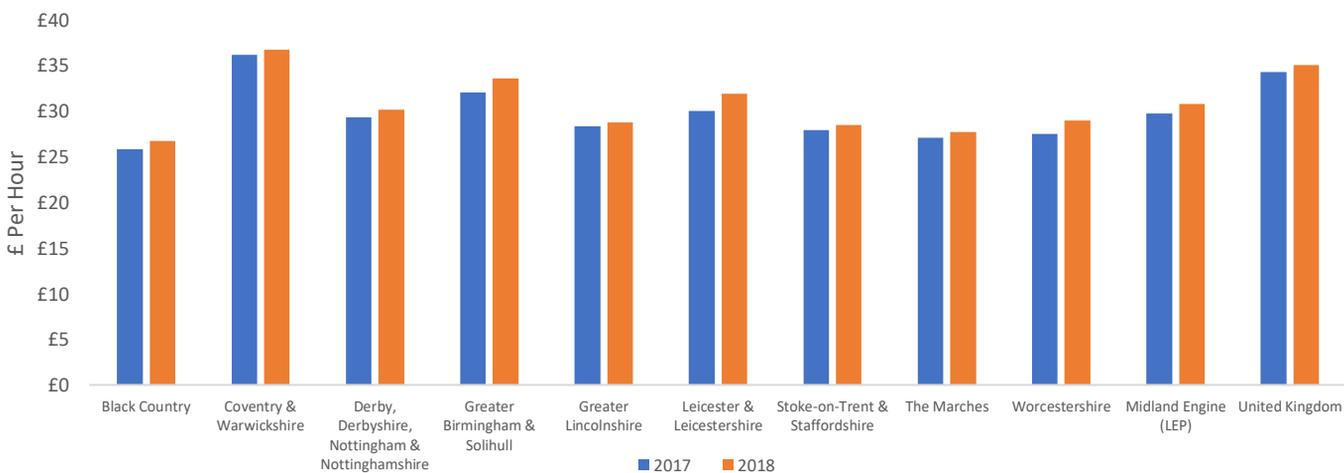
	Intermediate	Advanced	Higher	Total
Black Country	-390 (-8.9%)	+540 (+13.6%)	+720 (+67.3%)	+890 (+9.5%)
Coventry & Warwickshire	-300 (-11.7%)	+220 (+8.3%)	+340 (40.5%)	+290 (+4.8%)
Derby, Derbyshire, Nottingham & Nottinghamshire	-1,140 (-15.1%)	+380 (+5.3%)	+960 (+46.4%)	+180 (+1.1%)
Greater Birmingham & Solihull	-330 (-5.6%)	+560 (+9.1%)	+1,150 (+66.5%)	+1,370 (+10.1%)
Greater Lincolnshire	-240 (-6.9%)	+310 (+9.0%)	+360 (+38.7%)	+400 (+5.1%)
Leicester & Leicestershire	-300 (-9.6%)	+450 (15.4%)	+520 (+61.9%)	+670 (+9.7%)
Stoke -on-Trent & Staffordshire	-390 (-10.5%)	+310 (7.7%)	+510 (+45.1%)	+440 (+4.9%)
The Marches	-130 (-5.5%)	+60 (+1.9%)	+420 (+89.4%)	+340 (+5.6%)
Worcestershire	-130 (-7.3%)	+10 (0.4%)	+250 (+49.0%)	+120 (+2.9%)

GVA per Hour Worked

GVA per hour worked:

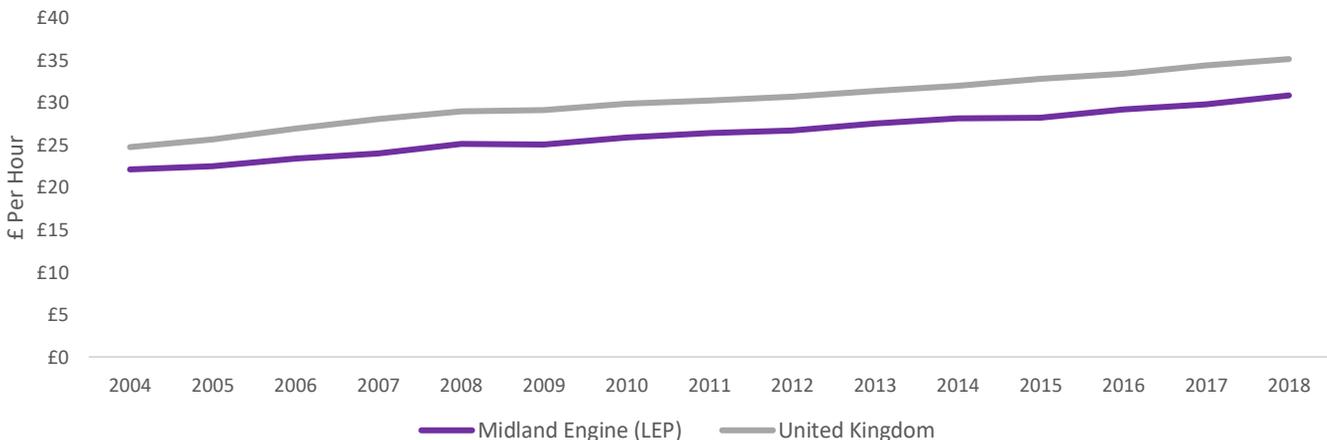
- Across the Midlands Engine LEP level geography in 2018, GVA per hour was £30.80. This has increased by 3.5% (+£1.05) since 2017 which is above the UK average growth of 2.2%. However to reach the UK average of £35.03, the Midlands Engine would need to increase by £4.23.
- All LEPs within the Midlands Engine geography saw a growth in GVA per hour since the previous year. The highest percentage growth was recorded in Greater Birmingham and Solihull LEP at 4.8% (+£1.54 to reach a total of £33.61 per hour). However, Coventry and Warwickshire LEP had the highest GVA per hour worked in 2018 at £36.75 which is above the UK average.

Midlands Engine (LEPs) & UK: Unsmoothed GVA Per Hour, 2017 & 2018



- Since 2004, GVA per hour worked has only declined once across the Midlands Engine. This was seen in 2009, with a decrease of 0.4% (-£0.10 to £24.99). However, notably for the UK 2009 was the smallest increase when compared to the other years of 0.5%.
- Since 2010, GVA per hour has increased by 19.2% across the Midlands Engine, this is above the UK average growth of 17.6%.

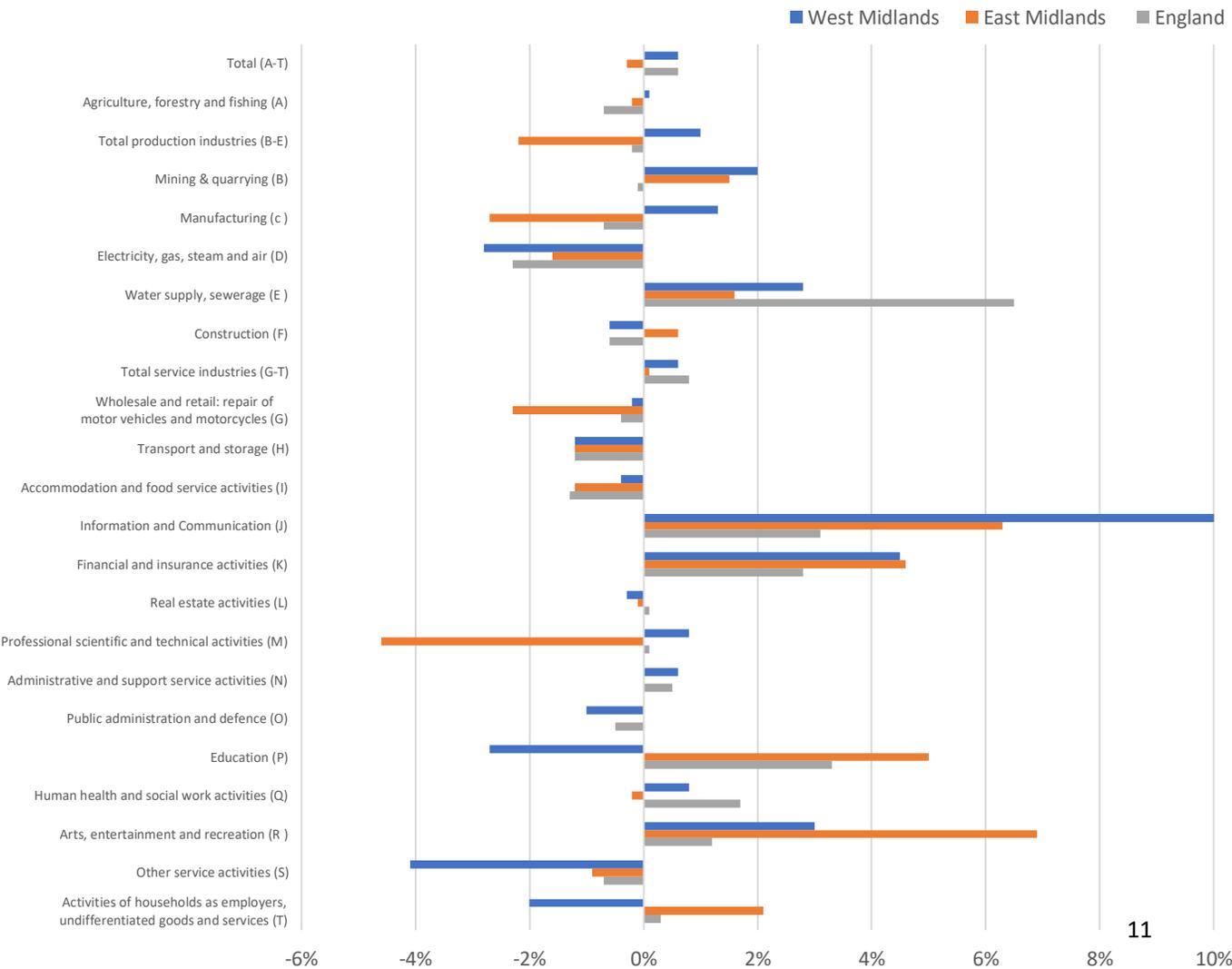
Midlands Engine (LEP) & UK: Unsmoothed GVA per Hour Worked, 2004 - 2018



Regional Gross Domestic Product

- Between 2018 Q3 and 2019 Q3, in the East Midlands there was positive Gross Domestic Product (GDP) growth of 0.7% while for the West Midlands there was negative growth of 1.5%. In 2018 Q3, there were 7 industries in the West Midlands that experienced relatively small negative growth, however in Q3 2019 there were 14 industries that experienced negative growth. Over the same period England had positive growth of 1.5%.
- Between 2019 Q2 and 2019 Q3, the East Midlands had negative growth of 0.8%, while the West Midlands had positive growth of 0.6%. Over the same period England had positive growth of 0.6%.
- In 2019 Q3, from the previous quarter in the East Midlands, the GDP for the agriculture and production sectors fell by 0.3% and 2.2% respectively. The construction and services sectors increased by 0.6% and 0.1% respectively. While for the West Midlands, the agriculture, production and services increased by 0.1%, 1.0% and 0.6% respectively. However, the construction sector decreased by 0.6%.
- For the West Midlands, the highest increase was the information and communication industry within the service sector. While for the East Midlands the highest increase was in the arts, entertainment and recreation industry also within the services sector.
- However, in contrast, for the West Midlands the highest decrease was in the other service activities (service sector) at 4.1%. The highest decrease for the East Midlands was in professional scientific and technical activities at 4.6% (services sector).

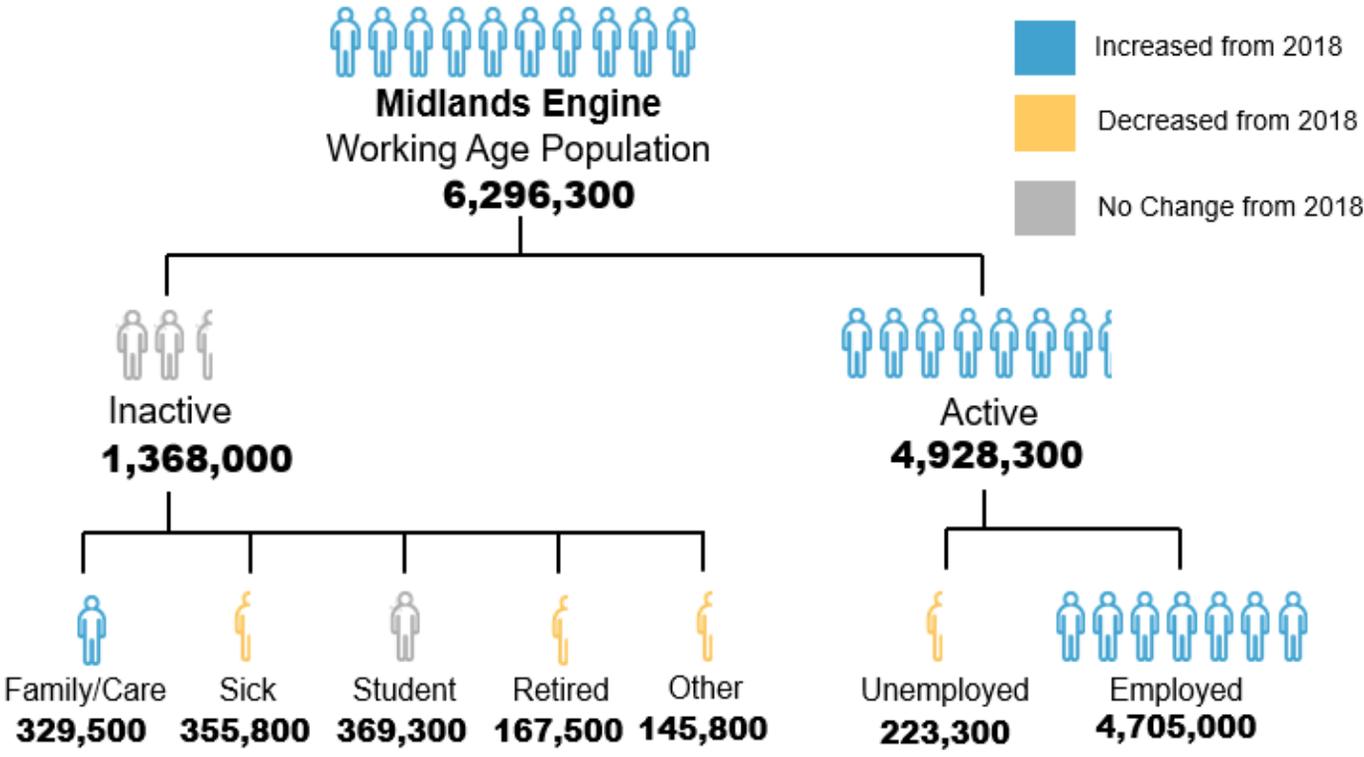
GDP: 2019 Q3 by Sectors for the East Midlands, West Midlands and England



Economic Activity

Economic Activity/ Economic Inactivity:

- Across the Midlands Engine, 78.3% (4,928,200) of the working age population were economically active in 2019, this is below the UK average of 78.8%. The economic activity rate has increased at double the UK growth rate at 1.0pp in comparison to 0.5pp since 2018.
- Those classified as economically active are split into two groups; unemployed and employed. The average unemployment rate across the Midlands Engine was 4.5% (223,300), compared to 4.0% for the UK in 2019. Midlands Engine and the UK have both decreased by 0.3pp since 2018. For the Midlands Engine to reach the UK average unemployment rate requires a decrease of 26,168 people.
- The average employment rate across the Midlands Engine was 74.7% (4,705,000), compared to 75.6% for the UK in the 2019. The employment rate has increased by 1.2pp, which is above the UK growth rate of 0.6pp. For the Midlands Engine to reach the UK average employment rate requires an increase of 55,003 people.
- In 2019, 21.7% (1,368,000) of the working age population were economically inactive, while for the UK the average rate was 21.2%. The Midlands Engine economically inactive rate has remained the same as 2018, while the UK decreased by 0.5pp.
- Out of the five reasons for economic inactivity, the Midlands Engine is higher in three which include; students (27.0% compared to 26.7%), looking after family/home (24.1% compared to 23.0%) and those classified as sick (26.0% compared to 25.8%).



Source: ONS, Annual Population Survey (for 2019), Released April 2020

Indicator List

Theme	Indicator	Source
Economic Growth	GVA per employee	ONS, real regional gross value added (balanced) by industry and Business Register and Employment Survey
	Unemployment rate	ONS, Annual Population Survey
	Total Gross Disposable Household Income and per person	ONS, Regional gross disposable household income
	Average Annual Earnings - Workplace and Residential Based	ONS, Annual Survey of Hours and Earnings
	Total GVA	ONS, Real regional gross value added (balanced)
	GVA per head	ONS, Real regional gross value added (balanced) and mid-year populations
	GVA by Sector	ONS, Real regional gross value added (balanced) by industry
	GVA per hour	ONS, Sub regional Productivity
	Total Jobs	ONS, Business Register and Employment Survey
	Jobs by Sector	ONS, Business Register and Employment Survey
	Mid-year population estimates	ONS, Mid-year population estimates
	Life Expectancy	ONS: Life expectancy at birth and at age 65 years
	Employment rate	ONS, Annual Population Survey
	School readiness	Department for Education
	Progress 8 score	Department for Education
	Number of Apprenticeships	Department for Education
	Percentage of NEETs (16-17 years old)	Department for Education
	Qualification levels of the working age population	ONS, Annual Population Survey
	Graduation Retention	HESA, The geographical mobility of students
	Total Dwelling Stock	Ministry of Housing, Communities & Local Government
House Price to Income Ratio	ONS, Housing affordability	
Visitor Numbers	Visit Britain: Great Britain Tourism Survey and Great Britain Day Visits Survey	
Midlands Connect	£ Investment in Midlands transport	HMT, Public Expenditure Statistical Analysis
	Journey times on strategic road networks	TBC
	Delays on strategic road networks	TBC
	Rail speeds between core centres	TBC
	Rail capacity, seat availability	TBC
Internationalisation	£ value of Midlands FDI projects	Department of International Trade
	£ value of Midlands Exports	HMRC - Regional or RTS disaggregated by smaller geographical areas
Smart Midlands	SFBB and UFBB percentage coverage	Ofcom, Connected nations
	5g percentage coverage	Ofcom, connected nations
	Combined energy production	TBC
	Jobs in energy sector	ONS, Business Register and Employment Survey - selected 2 digits sic codes
Innovation and Enterprise	Midlands HE research expenditure	Smart Specialisation Hub
	Midlands total R & D expenditure	ONS, Business enterprises research & development
	Midlands business finance accessed	TBC
	Enterprise births	ONS, Business Demography
	Enterprise stock	ONS, Business Demography
	Enterprises by sector	ONS, UK Business Counts
Business Innovation	ERC	

Midlands Engine Observatory

Project by:



As part of:

Economic Intelligence Unit



Economic Observatory