

Quarterly Economic Digest

Summer 2018



Black Country Consortium



Economic Intelligence Unit



Regional Observatory
West Midlands Growth Company

Key Headlines

West Midlands economy

growing **faster**
than **UK**

- ▲ 55 WM region
- ▲ 58 UK

Regional PMI Index figures

Inward Investment

continues to
rise across
the **WMCA**

- ▲ 140 FDI projects
- ▲ 7,933 new jobs created as a result

Employment prospects continue to improve

- ▲ Employment rate at a record level
- ▼ JSA **claimant rate** falling much faster than UK

The WMCA **Visitor Economy** continues to thrive

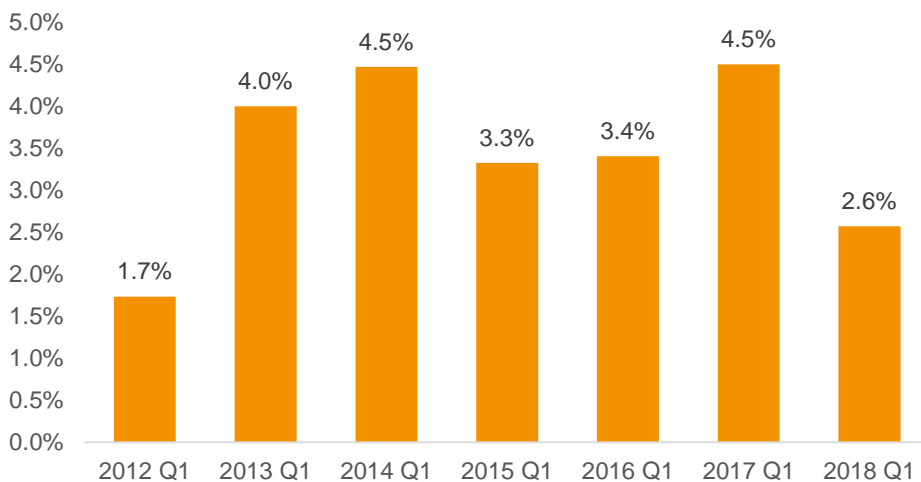
- ▲ 2018 hotel occupancy rates even higher than in 2017

The Economy

The UK economy has seen its weakest period of GDP growth in five years

In the first quarter of 2018 total GDP was just 0.3% up on Q4 2017 and 2.6% up on Q1 2017 – the slowest rate of growth in five years.

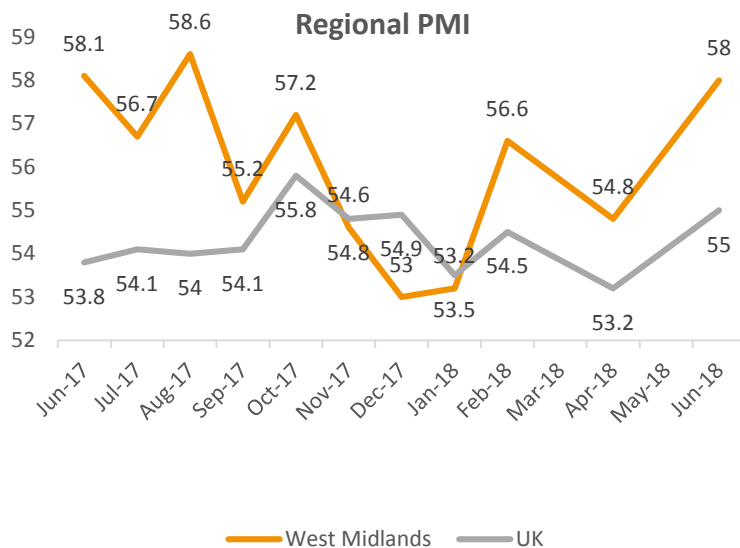
UK GDP year-on-year growth



While the West Midlands economy has seen a slowing of growth it is still out performing the UK

The Lloyds Bank/MARKIT Purchasing Managers Index (PMI) indicates that the West Midlands economy has continued to grow in the first half of 2018, but at a slower rate than in 2017 (a reading of over 50 signifies growth).

Nevertheless growth has been consistently stronger than across the UK as a whole.



Data sources:

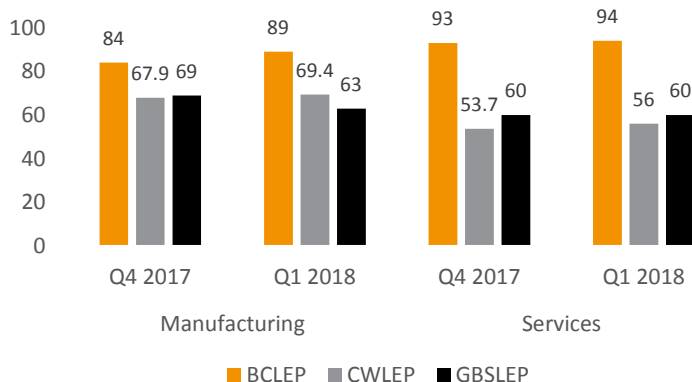
ONS GDP at current market prices, seasonally adjusted, Q1 2018
Lloyds Bank/MARKIT Purchasing Managers Index (PMI)

Growth Drivers

Export demand is by and large holding up well across the WMCA area

One of the factors underpinning the region's resilience in a challenging economic environment is a continuingly solid export performance. While export demand in the manufacturing sector fell slightly and export demand in the service sector stayed the same between Q4 2017 and Q1 2018 in the Greater Birmingham LEP area, demand rose for both sectors in both the Black Country and Coventry and Warwickshire LEP areas.¹

Export Demand/Sales across Manufacturing and Services sectors by LEP



¹ Export Demand refers to the percentage of respondents/businesses which responded to the Quarterly Economic Surveys and reported increasing demand in these sectors. However the Birmingham Chambers of Commerce figures also include firms that reported demand stayed the same by using a balance score

Labour Market

Employment prospects remain good in many parts of the WMCA area

The region's economic resilience in challenging times means that employment prospects remain good in many parts of the region:

- The employment rate (i.e. the proportion of the working age population in paid employment) in March-May 2018 74,6% was 2.8 percentage points up on the figure 12 months earlier and a record high for the region.
- There were 161,836 job postings from 1 April to 30 June 2018 across the three LEP areas within the WMCA area. While there was a 15% fall in postings in Coventry and Warwickshire there was a 9% rise in the Black Country and an 0.4% rise in Greater Birmingham.
- Unemployment is falling much faster in the WMCA area than nationally. In June 2018 there were 39,653 Job Seekers Allowance (JSA) claimants across the WMCA area, down 5% in the last month (with falls of 11% in Solihull and 8% in Wolverhampton), 10% over the quarter and 20% compared to this time last year. This compares with falls at a UK level of 4% in the last month, 7% over the quarter and 9% year-on-year.

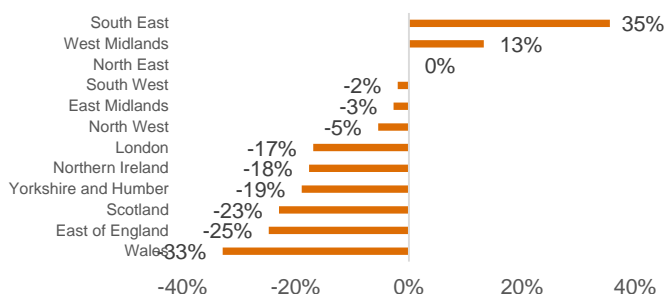
Please note: from June 2015 Nomis Claimant Count experimental statistics have been designated as experimental, due to the impact of Universal Credit on the count. Initially the impact of Universal Credit on the figures was small given the gradual phased roll-out. However, the impact has increased as the roll-out has progressed.

Data sources:

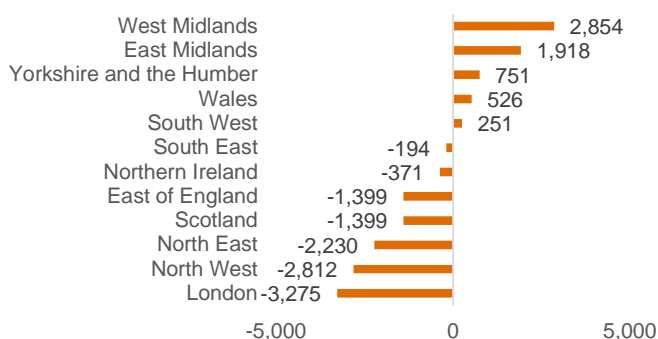
Black Country Chambers of Commerce Quarterly Economic Survey (QES), Greater Birmingham Chambers of QES and Coventry and Warwickshire QES – a survey of businesses across the LEP areas. Latest figures available across all LEPs are Q1 2018 which are compared to Q4 2017 survey results
ONS Regional Labour Market Statistics July 2018
Labour Insight, 1st April 2018 – 31st June 2018
Nomis Claimant Count, June 2018

Inward Investment

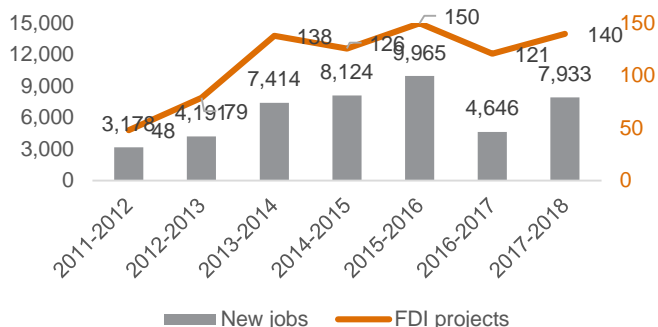
Change in FDI projects attracted 2016-2017 to 2017-2018 in WM region



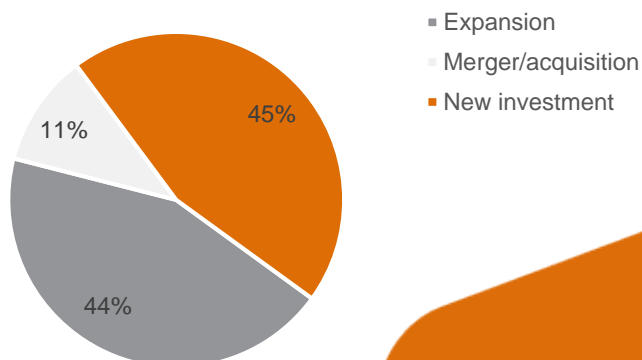
Change in new jobs created by FDI 2016-2017 to 2017-2018 in WM region



FDI attracted to the WMCA area 2017-18



Share of FDI projects attracted to the WMCA in 2017-2018 by type



Strong growth in inward investment in a challenging environment

At a UK level the number of FDI projects landed in 2017-2018 was 9% down on the figure for 2016-2017. While Brexit uncertainties have started to make internationally mobile companies more hesitant to invest in the UK, neighbouring countries have started to reap the benefits.

But despite these challenges the wider West Midlands Region performed very strongly. It was one of only two regions bucking the downward national trend attracting some 171 projects, 20 (13%) up on the previous year.

These investments created more than 9,400 new jobs in 2017-2018, which was up by more than 2,800 (more than 40%) up on 2016-2017 and the biggest increase in the country.

Performance was particularly strong in the WMCA area, with a 16% growth in projects to 140 and growth of more than 70% in new jobs created between 2016-2017 and 2017-2018.

Of the projects landed 45% were new investments, 44% were expansions and 11% were mergers or acquisitions. 54% of projects landed in the Greater Birmingham and Solihull LEP area, 38% landed in Coventry and Warwickshire and 8% landed in the Black Country.

Data sources:

DIT
FT FDI Intelligence fDi Report 2018
WMGC Regional Observatory

Visitor Economy

2017 was a record year for UK tourism

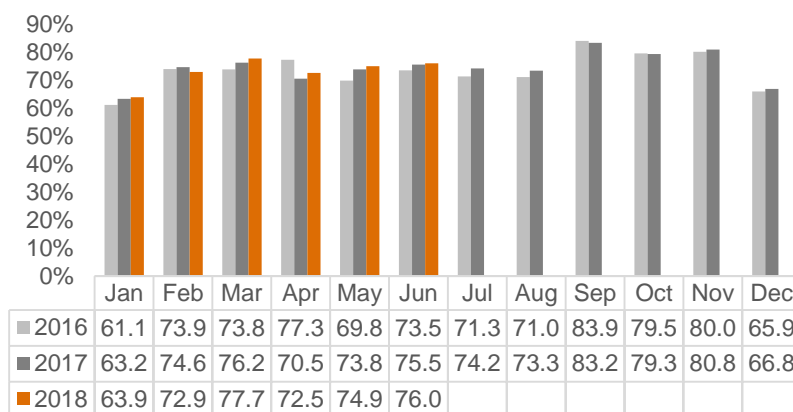
2016 was a particularly good year for tourism as the fall in the value of Sterling after the EU referendum made the UK a very cost competitive destination for domestic and international tourists alike. International Passenger Survey data released by the Office for National Statistics on 20th July reveals that 2017 was even better – and a record year for UK tourism:

- There were 39.2 million overseas visits to the UK, up by 4% on 2016
- International visitors spent £24.5 billion, up by 9% on 2016
- 284.8 million nights were spent in the UK by in-bound visitors, up by 3% on 2016
- Holiday visits rose by 11% to 15.4 million
- Holiday spending rocketed by 22% to £10.6 billion

The WMCA area has shared in this growth – which has continued into 2018

Encouragingly WMCA has shared in this growth – and there are signs that the area's visitor economy has continued to thrive in the first half of 2018. After matching or exceeding 2016 figures for most of 2017, hotel occupancy rates have been higher still in all of the first 6 months of 2018.

Trends in hotel occupancy rates in the WMCA area



Data sources:

ONS International Passenger Survey
Visit Britain
STR Global

Key Facts



over the last 5 years the West Midlands Combined Authority has one of the **FASTEST GROWING ECONOMIES** of any Combined Authority in the country.

BIRMINGHAM HAS THE LARGEST ECONOMY



BIRMINGHAM HAS MORE START-UPS THAN ANY OTHER UK CITY

with **12,108 SET UP IN 2017**, according to the Centre for Entrepreneurs.



the West Midlands Combined Authority area has attracted over **600 Foreign Direct Investment projects**, creating over **35,000 NEW JOBS** and safeguarding over **6,000 more**.

BIRMINGHAM AIRPORT CURRENTLY SERVES

DIRECT GLOBAL DESTINATIONS

plus a further 340 one-stop worldwide flights with 50 airlines. It adds **£1.4 BILLION** in GVA to the regional economy.



HS2 WILL BRING THE CITY OF LONDON

within **38 MINUTES** of the region. The West Midlands is the only UK region that will have **TWO HS2 STATIONS**.



MAJOR MANUFACTURERS

including Jaguar Land Rover, Mondelez and Changan have **R&D CENTRES IN THE WEST MIDLANDS**.



THE REGION IS AT THE HEART OF THE UK



with **90%** of the UK'S MARKET in reach within **FOUR HOURS**.



combined authority area is **UNDER THE AGE OF 20** – this is the highest proportion of any Combined Authority area



The West Midlands is expected to be the

FASTEST GROWING UK REGION

OUTSIDE OF LONDON and the South East over the next three years according to EY's latest UK Regional Economic Forecast (2018).



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