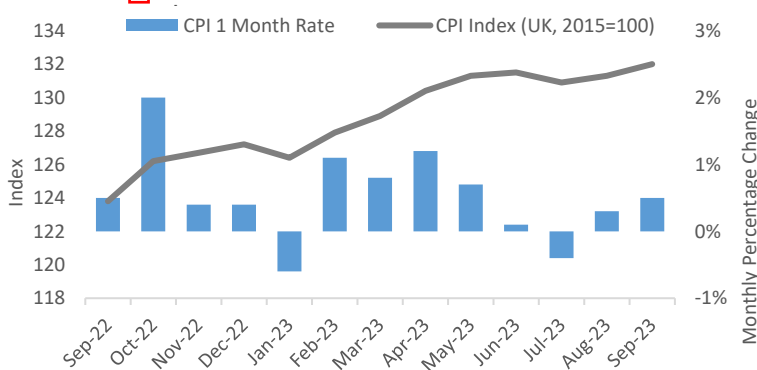


Dudley Monthly Economic Insights, October 2023

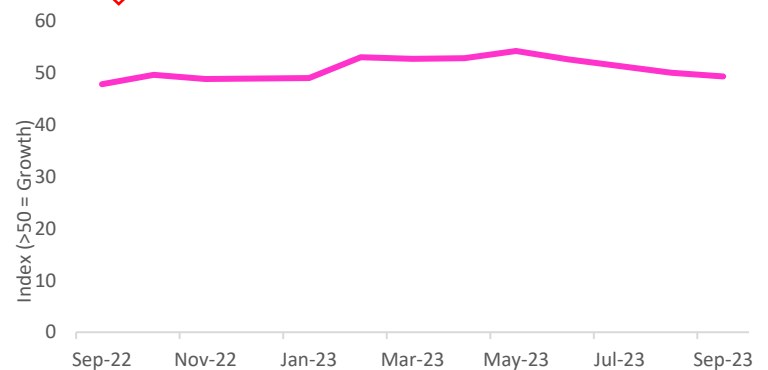
The current economic situation remains unsettled locally and nationally, but there are signs of optimism for the months and years ahead: falling inflation, interest rates and the likely avoidance of a recession as well as local optimism for future business performance. There are also pockets of investment and new openings in Dudley, and broader successful recovery stories for sectors such as automotive. However, business confidence and output remain subdued, with some sectors (retail, hospitality and construction for example) especially struggling. A worsening labour market situation, albeit often better than national averages, also stands out in Dudley this month following key recent data releases.

Monthly Monitoring Indicators

UK Consumer Price Index (CPI)

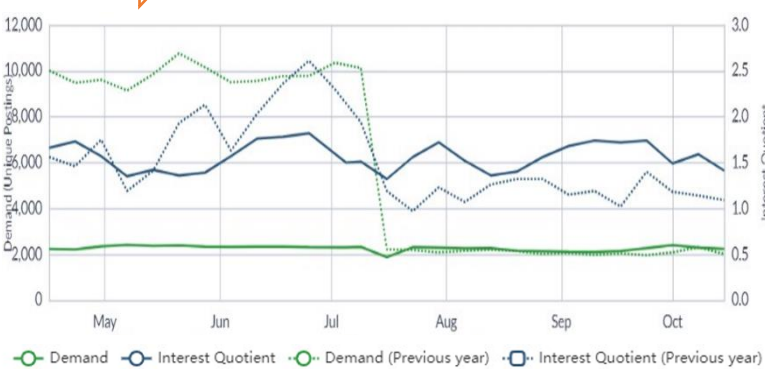


West Midlands Business Activity Index

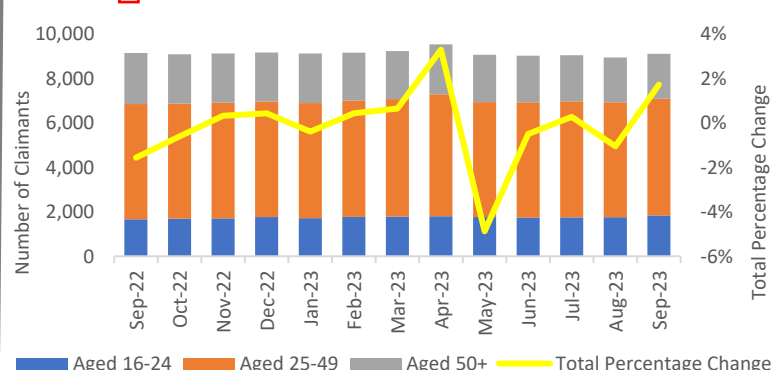


- Utilising a base year of 2015, UK CPI was **132.0** in September 2023. UK CPI monthly increase of **0.5%**.
- The West Midlands Business Activity Index decreased from 50.0 in August 2023 to **49.3** in September 2023.

Dudley Job Demand and Interest Trend

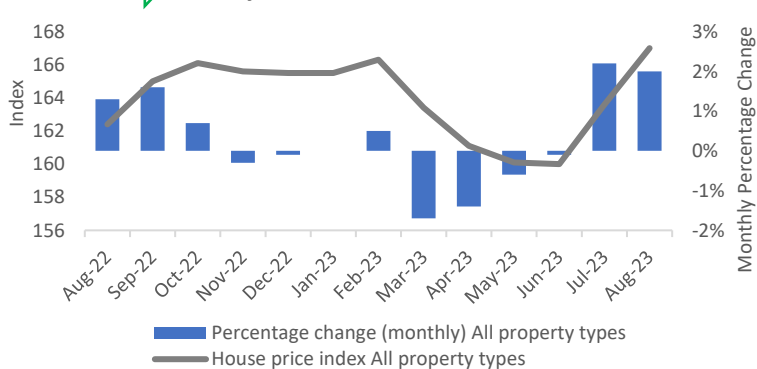


Dudley Claimants



- In the past month, on Adzuna: **4,494 (average) job postings**, -10.9% year on year. 1.5 (high) Interest Quotient.
- In total, **9,115 claimants in September 2023**; +155 since August 2023, (-40 since Sep 2022, +600 since Mar 2020).

Dudley House Price Index



Dudley Salary Trend



- Dudley's House Price Index was **167.0** in August 2023. The monthly Index increased by **2.0%**.
- In the past month, on Adzuna: **Median Salary of £27,851**, +6.8% year on year.

Other Recent Data Releases

- Office for National Statistics (ONS), published [employees in the UK: provisional results 2022](#). Dudley's findings are:
 - **110,000 jobs**, a decrease of 6,000 jobs since 2021 (-5.2%, BC +0.2%, WMCA +1.6%, England +2.4%)
- The ONS [Annual Population Survey](#) (APS) has been updated and covers to the year ending June 2023 for **economic activity**:
 - **Dudley Employment Rate: 76.5% (-0.1 percentage points (pp)**, BC -1.8pp to 70.0%, WMCA +0.5pp to 69.8%, UK +0.1pp to 75.5% compared to the year ending June 2022) **Despite the fall – Dudley remains above the UK proportion.**
 - **Dudley Unemployment Rate: 5.7% (+1.5pp)**, BC +1.2pp to 7.0%, WMCA +0.2pp to 6.7%, UK -0.1pp to 3.8% compared to the year ending June 2022).
- The ONS, have released [experimental data on quarterly business enterprise and deaths](#) at a local level, now up to Q3 2023. Analysis for Dudley shows:
 - **270 business births in Q3 2023 (-3.6%**, BC +11.8%, WMCA +9.1%, UK +1.9% since Q2 2023)
 - **Q3 2022 – Q3 2023 Change: Dudley -1.8%**, BC +11.3%, WMCA +7.0%, UK +14.9%
 - **255 business deaths in Q3 2023 (-15.0%**, BC -14.8%, WMCA -18.7%, UK -17.7% since Q2 2023)
 - **Q3 2022 – Q3 2023 Change: Dudley -15.0%**, BC -17.7%, WMCA -19.7%, UK -13.6%
- Department for Education, published provisional [school performance results](#) for the 2022/23 academic year, overall, for Dudley:
 - **Attainment 8 Score: 42.4** (England: 46.2)
 - **Progress 8 Score: -0.11** (England: -0.03)

Economy and Business Intelligence

THEME	KEY INSIGHTS
Economic Outlook	<p>Several economic forecasts for the UK have been published recently, important to the future prospects of Dudley and the wider Black Country in the coming months and years. These precede the Office for Budget Responsibility forecast to accompany the Autumn Statement in November. Key findings of recent prominent forecasts include:</p> <ul style="list-style-type: none"> • An expectation of sluggish growth for the remainder of 2023 and into 2024; for example, NIESR have forecast that GDP will contract by 0.1% in the third quarter of 2023 and then growth 0.2% in the fourth quarter, while KPMG suggest real GDP growth slowing from 4.1% in 2022 to 0.4% in 2023 and 0.3% in 2024. • The consensus is that the UK will avoid a recession in 2023 and 2024, however, with GDP growth expected at 0.5% and 0.4% respectively taking an average of forecasts (HM Treasury). • However, other forecasts are more pessimistic. The Institute for Fiscal Studies' (IFS) Green Budget 2023 expects weak margins and policy headwinds to drive a moderate recession through the first half of 2024, forecasting GDP will fall by 0.7% in 2024. • The IFS suggests that the UK economic outlook hinges on three primary factors: first, the boost associated with the unwinding of the adverse terms-of-trade shock; second, the headwind associated with tighter monetary policy; and third, the potential for greater inflationary persistence – especially in wage setting. • The most recent Treasury average of forecasts for inflation suggests the Consumer Prices Index (CPI) is to fall to around 2.5% in 2024, with the Retail Prices Index (RPI) falling to 3.9%. This is expected to follow a fall of CPI inflation down to 4% - 4.5% by the end of 2023. • Meanwhile, the EY ITEM Club estimates that higher interest rates have, so far, been a net positive for household incomes with the income boost from higher rates on savings accounts exceeding the extra amount spent on mortgage interest payments. Although, this picture is set to reverse as deposit rates stabilise and more borrowers roll over fixed rate mortgages onto higher rates. • As for the West Midlands, business confidence in the region fell two points during October to 34 per cent, according to the latest Business Barometer from Lloyds Bank Commercial Banking. West Midlands businesses identified their top target areas for growth in the next six months as entering new markets (49 per cent), investing in their team (40 per cent) and evolving their offer (31 per cent). Overall UK business confidence rose three points in October from 36 per cent to 39 per cent, and firms' outlook on the overall UK economy increased four points to 34 per cent. • Locally, the Black Country Chamber of Commerce's latest economic survey for the three months to the end of September found 55 per cent of firms in the area expecting an improvement in turnover in the next 12 months. Inflation and interest rates are amongst the highest concern for firms across all sectors in the region at 56 per cent and 53 per cent respectively. On recruitment 70 per cent have found it difficult to recruit suitable skilled staff.

THEME	KEY INSIGHTS
Trading Environment	<ul style="list-style-type: none"> • Supply chain disruption remains one of the biggest challenges facing Midlands businesses, according to new research from BDO LLP, as companies gear up for end of year trading. • According to BDO's bi-monthly Economic Engine survey of 500 mid-market businesses, more than a quarter of Midlands companies (29 per cent) have ranked supply chain pressures as one of their top challenges, with issues such as folding suppliers, stock shortages, and rising costs topping the list. • The Enterprise Research Centre (ERC) recently published a research report mapping net zero support for small businesses across England. The focus of the project was on schemes, initiatives, and organisations offering specific or targeted initiatives to support small firms' net zero transition. As part of the work, the ERC have published regional summary reports including for the West Midlands. • Cost of Living – Still frequently raised as a concern, particularly with the cost of food, fuel, materials and other supplies and ingredients, such as sugar and yeast at a local commercial bakery. However, some groups report that they feel that although it is impacting their business and workforce, that “it doesn't feel like a crisis anymore” and that it more like “the norm”. • Energy Costs – Still impacting businesses as those on fixed term deals switch to new standard tariffs. Fourfold increases in gas and electricity are commonplace. • Supply Chain – Increased appetite to localise materials and service supply chains, not just within UK borders but regionally in the West Midlands. Lack of confidence in government to support this though. Businesses increasing the number of suppliers to mitigate price increases although this risks affecting consistent quality. Some businesses bringing services and processes in house to reduce costs and the reliance on third parties.
Labour Market	<ul style="list-style-type: none"> • The number of permanent placements in the Midlands continued to fall during September, according to a report from KPMG and REC, but temp billings rose further. • The KPMG and REC, UK Report on Jobs: Midlands showed that firms signalled a sustained and sharp reduction in permanent placements, while temporary billings rose at a stronger rate than that seen in August. • Recruiters highlighted that widespread reports of recruitment freezes and a lack of suitably skilled candidates weighed on permanent hiring, and pushed firms to take on temporary staff in the meantime. • They also signalled a softer improvement in candidate supply for both permanent and temporary roles during September, with the respective growth rates easing to three- and four-month lows.

Economy and Business Intelligence – By Sector

SECTOR	KEY INSIGHTS
Manufacturing and Engineering	<ul style="list-style-type: none"> • Sentiment within the UK manufacturing sector deteriorated over the three months to October, as output volumes fell, according to the CBI's latest quarterly Industrial Trends Survey. Although output is expected to rise in the three months ahead, the share of firms citing weak orders or sales as a constraint on output rose to its highest since January 2021. • Growth in average costs eased significantly in the quarter to October, to its slowest pace in three years. The pace of growth in both domestic and export selling price inflation also weakened over the past quarter. The numbers of those employed fell for the first time since January 2021. Investment in tangible assets (machinery, equipment, buildings, etc) is expected to fall in the year ahead, though manufacturers expect investment in intangibles (innovation and training) to increase slightly. • More positively for Dudley and the wider West Midlands, UK car manufacturing rose by almost 40 per cent in September, according to the latest figures, representing the strongest month of growth in 2023. The Society of Motor Manufacturers and Traders (SMMT) said that 88,230 vehicles left British factory lines during the ninth month of the year, an uplift of 39.8 per cent and the best September since 2020. • Linked to the focus on technology in this month's monitor, MakeUK recently published a report on “Demystifying Digitalisation” in manufacturing.
Retail, Hospitality and Tourism	<ul style="list-style-type: none"> • Retail sales volumes fell sharply in the year to October, according to the latest quarterly CBI Distributive Trades Survey. Retailers do not anticipate a turnaround in the sector's fortunes next month, with sales volumes expected to continue falling in the year to November. • The fall (weighted balance of -36% from -14% in the year to September) was at a faster pace than last month and marks the sixth month in a row in which annual sales have declined. Sales volumes are expected to continue falling next month, but at a slower pace (-13%). • Taken together with ONS retail sales volumes, these figures chime with the suggestion that UK retail may be in recession before a key Christmas season.

SECTOR	KEY INSIGHTS
Retail, Hospitality and Tourism	<ul style="list-style-type: none"> To add to the difficulties, high street shops could see their business rates bill increase by up to £1.95bn next year because the rate charged is linked to inflation. Hospitality industry leaders said the expected rate rises would “undoubtedly be the final nail in the coffin” for many businesses, which have already been squeezed by the rising costs of labour, energy and ingredients. FSB are calling for the Autumn Statement to address issues related to the high street, including calling for an extension of business rate discounts for retail, hospitality and leisure beyond its March 2024 expiry.
Construction	<ul style="list-style-type: none"> A slump in the building of new homes across the UK in September triggered the biggest fall in construction activity since May 2020, early in the Covid pandemic, according to a closely watched survey. The latest S&P Global/CIPS construction purchasing managers’ index showed a score of 45.0 in September, a steep drop from 50.8 in August. A separate index for residential work fell to 38.1, which was “by far the worst-performing area of construction output during September, followed by civil engineering activity at 45.7”, the report stated.
Tech	<ul style="list-style-type: none"> TechUK launched the 2023 Local Digital Index. Comments about the West Midlands region were as follows: <i>The region scores well overall, featuring 4th in the Index. Each area within the region has its own strength and drawback. The West Midlands CA area has strong digital infrastructure scores with gigabit broadband at over 88-% coverage and 5G coverage over 95%. Both are well above the other regional partners scores in the West Midlands. But the West Midlands CA area should look to improve finance and investment coming into the region, especially VC funding and harnessing digital skills in the area to take on the roles of the future.</i> More widely, Tech Nation is relaunching with a £10bn funding pledge. Midlands Engine Observatory has published two cluster snapshots related to AI and quantum technology.

NEW INVESTMENT, DEALS AND OPPORTUNITIES

COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
Asper Property Group	Stourbridge	Property	Asper Property Group has made its second major acquisition in less than four months with the all-cash purchase of the Quantum Works trading estate in Stourbridge. The multi-let trading estate with 18 units was sourced and acquired off-market for £1.03m by Asper Property Group, the investment vehicle of Hagley-based developer Charlie London.
Kids Planet	Dudley	Nurseries	A trio of Dudley day nurseries have been acquired by Kids Planet in a deal brokered by Christie & Co. The settings – The Bromley, Waterfront, and Kingswinford – which cater for a total of 334 children aged between zero and four years old, trade as The Learning Journey Nursery Ltd.
ASK Italian	Merry Hill	Restaurants	Merry Hill is set to welcome restaurant chain ASK Italian. ASK Italian will open its doors this November, occupying a 3,350 sq ft space within Merry Hill's leisure quarter.
Wingstop	Merry Hill	Restaurants	Merry Hill shopping centre will welcome chicken wings restaurant chain Wingstop in the first half of 2024 as the centre’s dining options continue to grow.
KENJI	Merry Hill	Retail	Design-led homeware retailer KENJI has opened in Merry Hill Shopping Centre