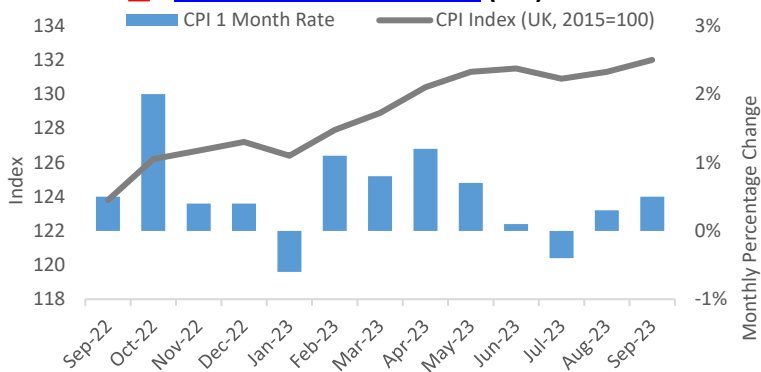


## Sandwell Monthly Economic Insights, October 2023

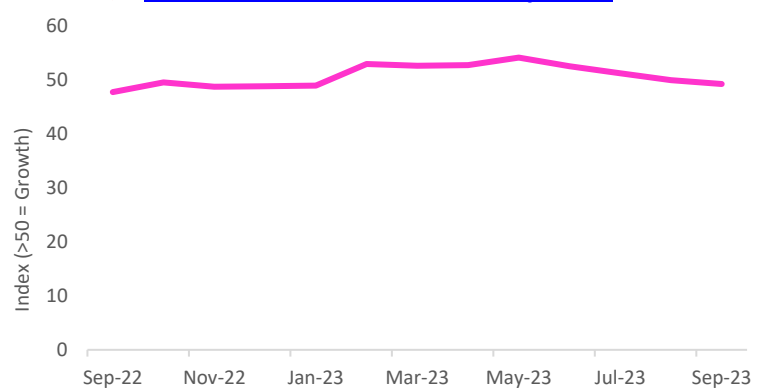
The current economic situation locally and nationally remains unsettled, but there are signs of optimism for the months and years ahead: falling inflation, interest rates and the likely avoidance of a recession as well as local optimism for future business performance and recent falls in Sandwell business closures / rises in births. There are also successful recovery stories for sectors such as automotive. However, business confidence and output remain subdued, with some sectors (retail, hospitality and construction) especially struggling. A worsening labour market situation also stands out in Sandwell this month, with a falling employment rate and rising unemployment rate in the last year.

### Monthly Monitoring Indicators

#### UK Consumer Price Index (CPI)



#### West Midlands Business Activity Index

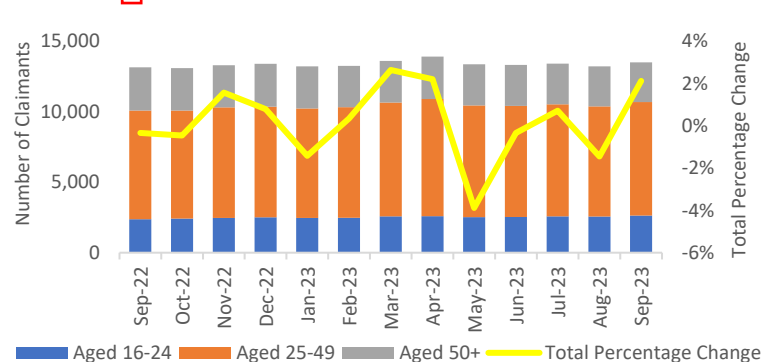


- Utilising a base year of 2015, UK CPI was **132.0** in September 2023. UK CPI monthly increase of **0.5%**.
- The West Midlands Business Activity Index decreased from 50.0 in August 2023 to **49.3** in September 2023.

#### Sandwell Job Demand and Interest Trend

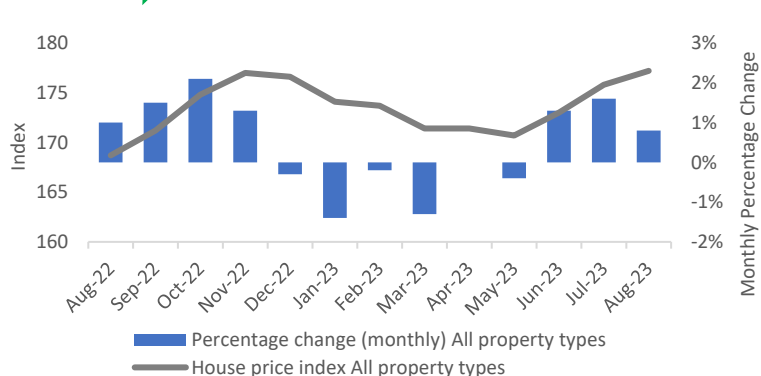


#### Sandwell Claimants



- In the past month, on Adzuna: **4,765 (high) job postings**, **-1.2%** year on year. **1.6 (high) Interest Quotient**.
- In total, **13,500 claimants in September 2023**; **+280 since Aug 2023**, (**+350 since Sep 2022**, **+2,720 since Mar 2020**).

#### Sandwell House Price Index



#### Sandwell Salary Trend



- Sandwell's House Price Index was **177.2** in August 2023. The Monthly Index increased by **0.8%**.
- In the past month, on Adzuna: **Median Salary of £29,413**, **+11.8%** year on year.

## Other Recent Data Releases

- Office for National Statistics (ONS), published [employees in the UK: provisional results 2022](#). Sandwell's findings are:
  - 126,000 jobs**, an increase of 2,000 jobs since 2021 (+1.6%, 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**:
  - Sandwell Employment Rate: 65.4% (-0.4 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).
  - Sandwell Unemployment Rate: 6.9% (+1.3pp**, 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 Sandwell shows:
  - 375 business births in Q3 2023 (+4.2%**, BC +11.8%, WMCA +9.1%, UK +1.9% since Q2 2023)
    - Q3 2022 – Q3 2023 Change: Sandwell +2.7%**, BC +11.3%, WMCA +7.0%, UK +14.9%
  - 285 business deaths in Q3 2023 (-21.9%**, BC -14.8%, WMCA -18.7%, UK -17.7% since Q2 2023)
    - Q3 2022 – Q3 2023 Change: Sandwell -12.3%**, 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 Sandwell:
  - Attainment 8 Score: 42.4** (England: 46.2)
  - Progress 8 Score: -0.07** (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 Sandwell 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. <b>Key findings of recent prominent forecasts include:</b></p> <ul style="list-style-type: none"> <li>An expectation of <b>sluggish growth for the remainder of 2023 and into 2024</b>; for example, <a href="#">NIESR</a> 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 <a href="#">KPMG</a> suggest real GDP growth slowing from 4.1% in 2022 to 0.4% in 2023 and 0.3% in 2024.</li> <li>The consensus is that the <b>UK will avoid a recession in 2023 and 2024</b>, however, with GDP growth expected at 0.5% and 0.4% respectively taking an average of forecasts (<a href="#">HM Treasury</a>).</li> <li>However, other forecasts are more pessimistic. <a href="#">The Institute for Fiscal Studies' (IFS) Green Budget 2023</a> expects weak margins and policy headwinds to <b>drive a moderate recession through the first half of 2024, forecasting GDP will fall by 0.7% in 2024</b>.</li> <li>The IFS suggests that the UK economic outlook hinges on three primary factors: first, the <b>boost associated with the unwinding of the adverse terms-of-trade shock</b>; second, the <b>headwind associated with tighter monetary policy</b>; and third, the <b>potential for greater inflationary persistence – especially in wage setting</b>.</li> <li>The most recent <a href="#">Treasury average of forecasts for inflation</a> suggests the <b>Consumer Prices Index (CPI) is to fall to around 2.5% in 2024, with the Retail Prices Index (RPI) falling to 3.9%</b>. This is expected to follow a fall of CPI inflation down to 4%-4.5% by the end of 2023.</li> <li>Meanwhile, the <a href="#">EY ITEM Club</a> estimates that <b>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</b>. Although, this picture is set to reverse as deposit rates stabilise and more borrowers roll over fixed rate mortgages onto higher rates.</li> <li>As for the West Midlands, <b>business confidence in the region fell two points during October to 34 per cent</b>, according to the latest <a href="#">Business Barometer from Lloyds Bank Commercial Banking</a>. West Midlands businesses identified their top target areas for growth in the next six months as <b>entering new markets (49 per cent), investing in their team (40 per cent) and evolving their offer (31 per cent)</b>. 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.</li> <li>Locally, the <a href="#">Black Country Chamber of Commerce's latest economic survey</a> for the three months to the end of September found <b>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</b>. On recruitment <b>70 per cent have found it difficult to recruit suitable skilled staff</b>.</li> </ul>
Trading Environment	<ul style="list-style-type: none"> <li><b>Supply chain disruption remains one of the biggest challenges facing Midlands businesses</b>, according to new research from BDO LLP, as companies gear up for end of year trading.</li> </ul>

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

### Economy and Business Intelligence – By Sector

SECTOR	KEY INSIGHTS
Manufacturing and Engineering	<ul style="list-style-type: none"> <li><b>Sentiment within the UK manufacturing sector deteriorated over the three months to October</b>, as output volumes fell, according to the <a href="#">CBI's latest quarterly Industrial Trends Survey</a>. 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.</li> <li><b>Growth in average costs eased significantly in the quarter to October, to its slowest pace in three years</b>. The pace of growth in both domestic and export selling price inflation also weakened over the past quarter. Numbers employed fell for the first time since January 2021. <b>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</b>.</li> <li>More positively for Sandwell and the wider West Midlands, <b>UK car manufacturing rose by almost 40 per cent in September, according to the latest figures</b>, 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 <b>uplift of 39.8 per cent and the best September since 2020</b>.</li> <li>Linked to the focus on technology in this month's monitor, <a href="#">MakeUK</a> recently published a report on <b>“Demystifying Digitalisation” in manufacturing</b>.</li> </ul>
Retail, Hospitality and Tourism	<ul style="list-style-type: none"> <li><b>Retail sales volumes fell sharply in the year to October</b>, according to the latest quarterly <a href="#">CBI Distributive Trades Survey</a>. Retailers do not anticipate a turnaround in the sector's fortunes next month, with <b>sales volumes expected to continue falling in the year to November</b>.</li> <li>The fall (weighted balance of -36% from -14% in the year to September) was at a faster pace than last month and <b>marks the sixth month in a row in which annual sales have declined</b>. Sales volumes are expected to continue falling next month, but at a slower pace (-13%).</li> <li>Taken together with ONS retail sales volumes, these <b>figures chime with the suggestion that UK retail may be in recession</b> before a key Christmas season, concerning for Sandwell's already struggling high streets.</li> </ul>

SECTOR	KEY INSIGHTS
Retail, Hospitality and Tourism	<ul style="list-style-type: none"> <li>To add to the difficulties, <b>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.</b> <a href="#">Hospitality industry leaders</a> 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.</li> <li><b>FSB are calling for the Autumn Statement to address issues related to the high street, including calling for an extension of business rate discounts</b> for retail, hospitality and leisure beyond its March 2024 expiry.</li> </ul>
Construction	<ul style="list-style-type: none"> <li>A slump in the building of new homes across the UK in September triggered <b>the biggest fall in construction activity since May 2020</b>, early in the Covid pandemic, according to a closely watched survey.</li> <li>The latest <a href="#">S&amp;P Global/CIPS construction purchasing managers’ index</a> showed a score of <b>45.0 in September, a steep drop from 50.8 in August.</b></li> <li>A separate index for <b>residential work fell to 38.1, which was “by far the worst-performing area of construction output during September</b>, followed by civil engineering activity at 45.7”, the report stated.</li> </ul>
Tech	<ul style="list-style-type: none"> <li>TechUK launched the <a href="#">2023 Local Digital Index</a>. 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></li> <li>More widely, <a href="#">Tech Nation</a> is relaunching with a <b>£10bn funding pledge.</b></li> <li>Midlands Engine Observatory has published two cluster snapshots related to <a href="#">AI</a> and <a href="#">quantum technology</a>.</li> </ul>

#### NEW ECONOMIC SHOCKS

COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
<a href="#">Forterra</a>	Cradley Heath	Brick Making	Brickmaking group Forterra has seen a fall in demand for its clay and concrete building products in the last three months. The group, which includes the Cradley Special Brick factory on Corngreaves Trading Estate, Cradley Heath, said that signs of market improvement seen in May and June did not continue into the second half of its financial year.

#### NEW INVESTMENT, DEALS AND OPPORTUNITIES

COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
<a href="#">Sandwell Aquatics Centre</a>	Smethwick	Leisure	Commonwealth Games legacy cash has been secured to support Sandwell Aquatics Centre’s transition into a community leisure facility. The West Midlands Combined Authority (WMCA) is providing £1.4m to back the scheme through the £70m Commonwealth Games Legacy Enhancement Fund.
<a href="#">Davenports Brewery</a>	Smethwick	Breweries	A brewery, which was established in 1829, has invested £250,000 in new brewing equipment and digitisation at its head office. It will increase production and consistency and help with energy costs for Davenports Brewery in New Street, Smethwick. The installation of the new equipment and digitisation took 12 weeks and required remedial work to the floor and surrounding area.
<a href="#">Bond Wolfe</a>	West Bromwich	Property	Commercial property agents Bond Wolfe are selling a prominent West Bromwich retail investment opportunity. Offers based on £695,000 are invited for the long leasehold interest at West Gate Plaza, 4 Moor Street, West Bromwich.
<a href="#">DX</a>	Tipton / Willenhall	Logistics / Transport	Deliveries group DX, which has sites in Willenhall and Tipton, enjoyed a 46 per cent rise in pre-tax profit to £25.4 million for the year to July. The group, which also offers parcel freight, secure courier and logistics services, also saw revenue grow 10 per cent to £471.2m.