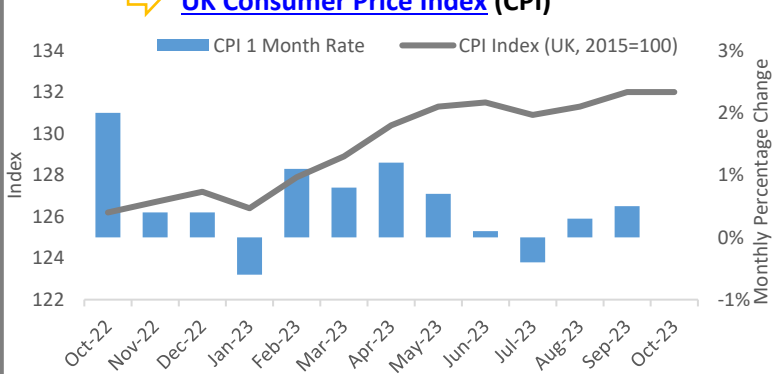


Sandwell Monthly Economic Insights, November 2023

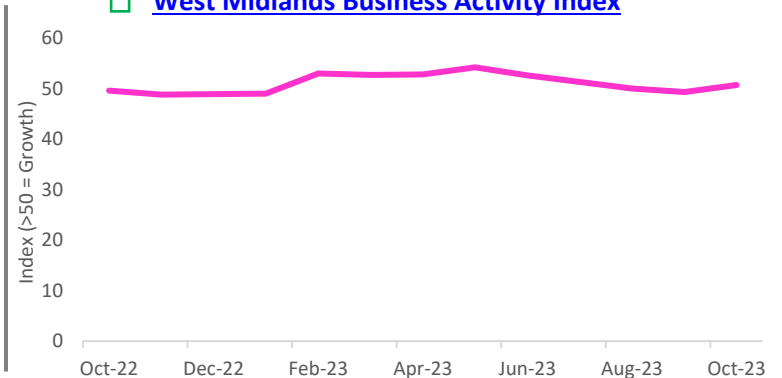
Despite mixed results, regional business confidence and activity appear to be growing on the back of falling inflation and relative stability in recent months; reflected more longer-term by positive trends in Sandwell for salaries / earnings and exports. However, high interest rates in a difficult economic environment continues to threaten business growth, particularly damaging to sectors such as retail and hospitality in the run up to the Christmas period. New business demography data highlights the difficult business environment of the last year, with business births decreasing locally and nationally; however Sandwell outperforms local and national comparators for reducing business deaths.

Monthly Monitoring Indicators

UK Consumer Price Index (CPI)

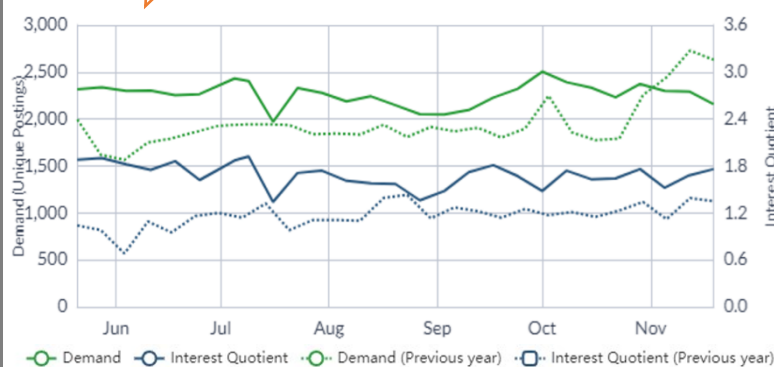


West Midlands Business Activity Index

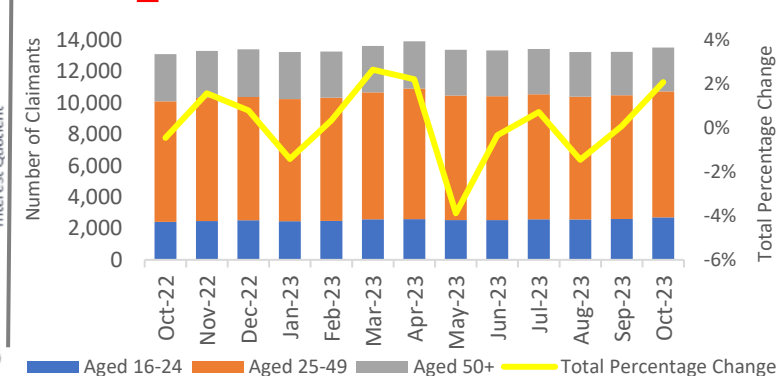


- Utilising a base year of 2015, UK **CPI was 132.0** in October 2023. UK CPI **unchanged** from September 2023.
- The West Midlands **Business Activity Index increased** from 49.3 in September 2023 to **50.7 in October 2023**.

Sandwell Job Demand and Interest Trend

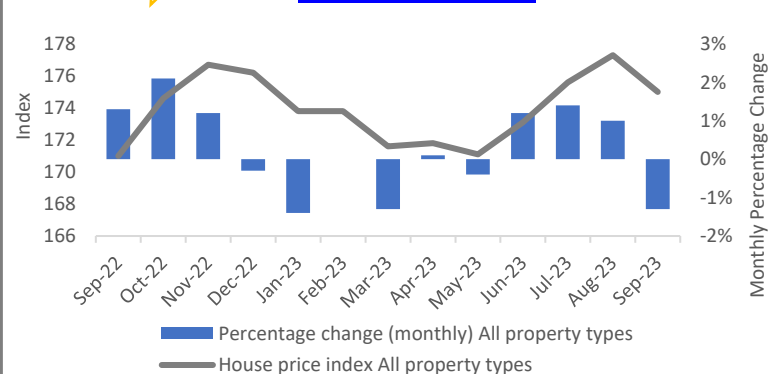


Sandwell Claimants



- In the past month, on Adzuna: **4,621 (high) job postings**, -19.1% year on year. **1.7 (high) Interest Quotient**.
- In total, **13,505 claimants in October 2023**; +275 since Sep 2023, (+415 since Oct 2022, +2,725 since Mar 2020).

Sandwell House Price Index



Sandwell Salary Trend



- Sandwell's **House Price Index was 175.0** in September 2023. The Monthly Index **decreased by 1.3%**.
- In the past month, on Adzuna: **Median Salary of £28,985**, +5.5% year on year.

Other Recent Data Releases

- Office for National Statistics (ONS), published [employee earnings in the UK: 2023](#). Sandwell's findings are:
 - Gross, annual full-time resident earnings: £29,594**, an increase of £2,134 (**+7.8%**, WMCA **+4.5%**, UK +5.8%) since 2022
 - Resident gender pay gap: 4.9%** (UK 7.7%), notably for work based -2.6% (UK 7.7%)
 - Regional low pay: 1.4% paid below National Living Wage in the West Midlands** (UK: 1.3%).
- HMRC have released [regional trade in goods statistics disaggregated by smaller geographical areas: 2022](#). Sandwell's findings are:
 - Exported £861m and imported £1.9bn** – leading to a trade deficit of £1bn.
- ONS have updated [business demography](#) figures to include up to 2022. Sandwell's findings are:
 - 1,635 enterprise births**, a decrease of 125 (**-7.1%**, BC **-17.9%** WMCA **-6.7%**, UK -7.4%) since 2021
 - 1,515 enterprise deaths**, a decrease of 135 (**-8.2%**, BC **+11.7%** WMCA **+10.0%**, UK +5.2%) since 2021
 - 11,530 active enterprises**, a decrease of 15 (**-0.1%**, BC **+1.5%** WMCA **+1.2%**, UK -0.5%) since 2021
 - 45 high growth enterprises**, an increase of 5 (**+12.5%**, BC **-7.1%** WMCA **+1.5%**, UK +7.4%) since 2021
 - Of the **1,460 births in 2017, 33.6% (490) were still active after five years** (BC 37.1%, WMCA 35.3%, UK 39.6%).
- ONS have published [Population estimates for England and Wales: mid-2022](#). Sandwell's findings are:
 - Total resident population of 344,210**, an increase of 2,315 (**+0.7%**, BC **+0.7%** WMCA **+1.2%**, England +1.0%) since 2021.
- University of Birmingham's City-Redi unit have used data from Red Flag Alert to assess how many businesses are at risk of becoming insolvent using the Red Flag measure. This measure indicates companies that are at risk of failing or becoming insolvent. One flag would indicate a company that is in danger but can still change its situation. Three flags is the highest level of jeopardy. [Findings](#) show:
 - 1,915 companies in Sandwell have one red flag, 8.3% of the total business base in the database.**
 - The sectors most affected in Sandwell are construction, wholesale / retail, and transportation and storage.**
- Lower geographic level (ITL3) productivity scorecards have been published by The Productivity Institute, including for [West Midlands areas](#). This suggests that **Sandwell is "catching up" in productivity terms relative to the UK and the wider West Midlands**. However **lower productivity in the borough remains, driven by a range of issues** including skills, health & wellbeing, business performance & characteristics and infrastructure / connectivity investment.
- From a dataset of 21,002 companies, a recent update of analysis in the [Gender Index](#) reports that there are **3,744 female-led companies in Sandwell**. This represents **17.8% of all active Sandwell businesses in the study, below the UK average of 18.3%**.
- The Scaleup Institute recently published their [Annual Review for 2023](#). This reported that the **Black Country had 335 scaleups in 2021, equal to 29.3 scaleups per 100k of the population**. This represents a decrease from **37.8 per 100k in 2020**, with national scaleup figures also falling.

Economy and Business Intelligence

THEME	KEY INSIGHTS
Economic Outlook	<ul style="list-style-type: none"> New forecasts from the Office for Budget Responsibility (OBR) predict that the UK economy will grow more slowly than previously thought – with real GDP growth slowing from 4.3% in 2022 to 0.6% this year and 0.7% next year. More positively, inflation was confirmed to have fallen to 4.6%, and anticipated to drop to 2.8% by the end of 2024. However, driven by high inflation and interest rates, living standards are forecast to be 3.5% lower in 2024-25 than their pre-pandemic level; a concern for communities across Sandwell and the wider West Midlands. In line with the OBR forecasts published with the Autumn Statement, predictions for UK regions suggest sluggish growth in 2023 and 2024. According to the latest (Autumn 2023) economic forecasts from the National Institute of Economic and Social Research (NIESR), low economic growth is predicted for all devolved nations and English regions with the Midlands not reverting to pre-pandemic levels of GVA until 2025. Only the West Midlands and the non-metropolitan parts of the South East are projected to have lower output at the end of 2024 than the end of 2019. NIESR also predict that the Midlands will continue to lag behind other regions with regard to employment (potentially reaching its pre pandemic level in late 2025) while also forecasting the Midlands to experience the most significant drop in productivity between the fourth quarters of 2019 and 2025. This is likely to be in part due to the West Midlands' reliance on more exposed and affected sectors such as manufacturing, and their disproportionate impact of the major shocks in recent years.

THEME	KEY INSIGHTS
	<ul style="list-style-type: none"> • More currently though, business confidence in the West Midlands is above the national average according to the ICAEW, rising a little in Q3 2023 (now standing at +10.6), in contrast to the national picture (which is +2.9). According to the survey, regulatory requirements remain the most cited growing concern in the region. Bank charges are another growing issue, reported by a larger share of companies in more than a decade. And while staff turnover is less widely cited as a growing challenge, it remains prevalent. • However, the latest Business Confidence Barometer from Lloyds Bank suggests West Midlands business confidence dropped in November, and is at the fourth lowest level of all UK regions, reflecting the mixed picture across different surveys.
Trading Environment	<ul style="list-style-type: none"> • The government's Autumn Statement was broadly well received by business groups and the wider business community. Highlighting measures such as full expensing, planning reform and electricity grid upgrades, The British Chambers of Commerce said it "gives hope to businesses", while the FSB praised welcome action on late payments, business rates and self-employed taxation. • However, a survey has found that most owners of micro businesses with less than 10 employees in the West Midlands feel overlooked and misunderstood when it comes to the right support from the Government. According to the survey, 56 per cent of owners in West Midlands do not feel the Government understands their needs with 29 saying they have been neglected in favour of hand-outs to consumers and larger businesses. The survey found that because of additional worries relating to higher inflation and interest rates, supply chain availability, difficulties over recruiting skilled staff and industry legislation, micro businesses are struggling to plan ahead. • Deal activity in the Midlands has declined so far this year after a bumper 2022, according to a new report by Experian Market IQ, against a backdrop of a UK-wide subdued M&A market. Volumes have fallen by about 22 per cent so far this year, and value has experienced a decline of 72 per cent from the highs of almost £20bn to £5.7bn. • While thousands of businesses in the West Midlands are now classed as being in 'significant' economic distress, according to the latest figures from Begbies Traynor's Red Flag Alert. • Furthermore, profit warnings issued by listed companies in the Midlands are at their highest levels since Q4 2022, according to new research from EY-Parthenon. EY-Parthenon's latest Profit Warnings report said that nine profit warnings were issued by UK-listed companies in the Midlands in Q3 2023, up from eight in Q2 2023. • More positively, according to R3 Midlands, an organisation focused on insolvency and restructuring, the number of new start-ups in the West Midlands grew by 5.86% last month, rising from 5,998 in September to 6,351 in October. This represents one of the highest numbers of new businesses established in any UK region, except Greater London.
Labour Market	<ul style="list-style-type: none"> • The latest KPMG and REC, UK Report on Jobs survey, compiled by S&P Global, revealed the Midlands as an outperformer in terms of hiring during October. The Midlands was the only English region to record a rise in permanent staff appointments, contrasting with the strong downturn seen at the UK level, while temporary billings growth also outpaced that seen at the national level. • Although the expansion was only marginal, it was a marked contrast to the strong contraction seen at the UK level. • Signs of softness were nevertheless apparent as candidate availability rose markedly, while job vacancy growth remained considerably weaker than those seen in the first half of 2023. In turn, rates of increase in permanent starting pay and temp wages were slower than seen on average across the survey history. • Pearson have produced a Skills Outlook report to give a regional breakdown of the immediate needs of the modern workforce and to help employers adapt to technological change; this report provides localised insights into the West Midlands. • The Institute for Fiscal Studies (IFS) recently produced a report on the changing geography of jobs from 1993-2022. The report discusses the profound changes seen across the labour market over this period, including the 'hollowing out' of jobs in the middle of the pay distribution, rising demand for high-skilled worker, an expansion of higher education and an increase in both domestic and offshore outsourcing. These trends have had significant implications on geographical inequalities.

Economy and Business Intelligence – By Sector

SECTOR	KEY INSIGHTS
Manufacturing and Engineering	<ul style="list-style-type: none"> Manufacturers reported that output volumes fell in the three months to November, disappointing expectations for expansion, according to the CBI's latest Industrial Trends Survey. A more subdued outlook for production comes as order books fell to their weakest level since the second Covid-19 lockdown in early 2021. Both total and export order books were reported as below normal in November, to the greatest extent since January and February 2021 respectively. As outlined in previous publications though, there is likely to be regional differences in performance; with West Midlands manufacturing still relatively robust, in part due to the strong recovery in automotive: UK car manufacturing output went up 31.6% in October with 91,521 units rolling out of factories. Also in the last yearly period, manufacturing jobs increased according to ONS' Business Register and Employment Survey (BRES). Furthermore, industry has generally welcomed recent announcements by government to support the sector; for example through its new Advanced Manufacturing Plan (including announcements for aerospace, automotive, life sciences and green industries) and Battery Strategy but also directly through the full expensing and skills / apprenticeships policies announced in the Autumn Statement. These will be important policies for Sandwell manufacturers.
Retail, Hospitality and Tourism	<ul style="list-style-type: none"> Official data on UK retail sales shows that they fell to a two-year low in October 2023. The volume of products sold fell by 0.3% to the lowest level since February 2021 when large parts of the UK were in Covid-19 lockdowns. Complementing this, retail sales volumes fell year-on-year in November for the seventh consecutive month, according to the latest quarterly CBI Distributive Trades Survey. Despite a slight uptick in sentiment, firms expect sales to decline again in December. This is concerning for the already struggling Sandwell high streets. Retail sales volumes fell in the year to November, but at a slower pace than last month (weighted balance of -11% from -36% in the year to October). Retailers expect an even slower decline in volumes next month (-6%). Retailers also reported a reduction in headcount in the year to November, while investment is set to decline in the year ahead. Price pressures in the sector are expected to remain acute. There were mixed feelings from retail and hospitality related to the Autumn Statement; while on one hand the business rates relief extension is welcomed, The British Retail Consortium have claimed the Statement is a "sell out" that risks forcing up the pace of price rises in shops again. Positively, UK shop inflation eased to the lowest rate in more than a year in November as competition increased in the run-up to Christmas and food cost growth continued to fall, according to industry data. There is ongoing concern in the hospitality sector regarding the lack of available staff.
Construction	<ul style="list-style-type: none"> Monthly construction output in the UK is estimated to have increased 0.4% in volume terms in September 2023. This follows two consecutive falls in monthly construction output. While quarterly output increased 0.1%, coming solely from growth in September. This came from an increase in repair and maintenance (2.1%), partially offset by a decrease in new work (0.8% fall) on the month. Total construction new orders increased 3.9% (£393 million) in Q3 2023 compared with Q2 2023; this quarterly rise came mainly from public other new orders and infrastructure new orders, which increased 23.7% (£265 million) and 14.3% (204 million), respectively.

NEW INVESTMENT, DEALS AND OPPORTUNITIES

COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
The Coach and Horses	West Bromwich	Pubs	The Coach and Horses on Kesteven Road is due to open its doors on Friday 1 st December. The pub is part of Proper Pubs, the community wet-led operator division of Admiral Taverns, which has more than 190 pubs across England, Scotland and Wales.
DX	Tipton	Logistics / Transport	Deliveries group DX, which has sites in Willenhall and Tipton, is being taken over by a private equity investment firm. The board of DX has agreed to the acquisition by a subsidiary of funds advised or managed by HIG Capital of the entire share capital. DX shareholders will receive 48.5p per share which values DX at £314.8m.
Rotala / Diamond Bus	Tividale	Transport	The deadline for an offer to be received to buy bus group Rotala, which operates Diamond Bus in the West Midlands, has been extended. A trio of directors of Tividale-based Rotala now have until 5pm on 12 th December to announce a firm intention to make an offer.

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
KTC Edibles	Wednesbury	Manufacturing	KTC Edibles, the UK's largest supplier of edible oils, has launched Planet Palm – a new range of certified sustainable, traceable and responsibly sourced palm oil products for bakery and food manufacturers in the UK.
The Dog	Warley	Pubs	A Sandwell pub is welcoming pub-goers back following an extensive three-week refurb. The Dog in Warley now boasts a brighter, more contemporary aesthetic.
A&M EDM	Smethwick	Manufacturing	A&M EDM has picked up two awards this month. The Smethwick manufacturer was named SME of the Year at the Make UK Midlands and East awards. It also took home the Excellence in Manufacturing and Engineering trophy at the Black Country Chamber Business Awards.