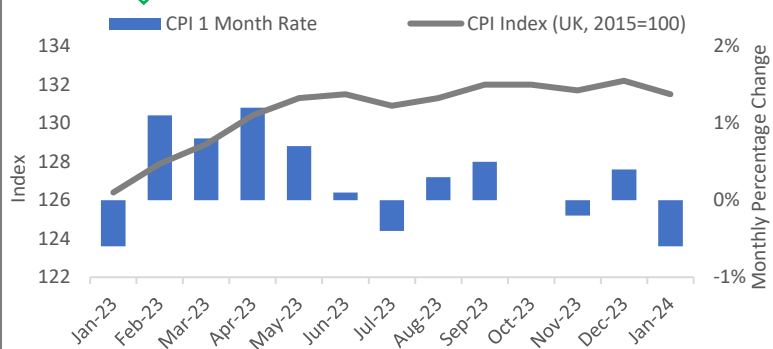


Wolverhampton Monthly Economic Insights, February 2024

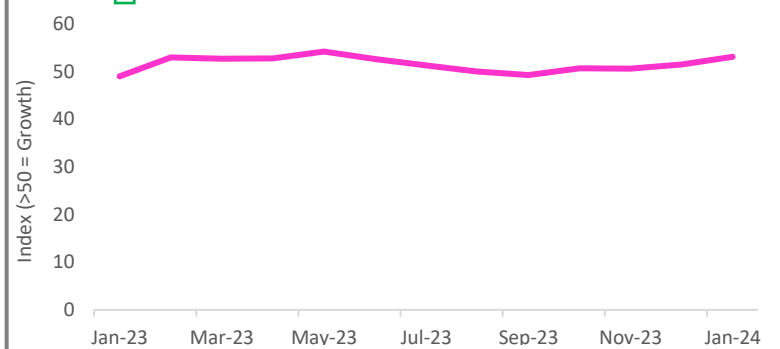
With CPI inflation unchanged since last month and a short the Bank of England's target of 2%; questions remain as to what measures the Spring budget on the 6th March will bring. Local business intelligence suggests optimism and confidence, as workers are seeing their incomes grow and business confidence improving, boosted by news that energy prices will fall in the coming months. However, with the news that the UK entered a recession at the end of 2023, challenges remain for Wolverhampton residents and businesses. The number of claimants continue to grow and the labour market has cooled down since last year. Worryingly, business births have fallen, signalling major challenges.

Monthly Monitoring Indicators

UK Consumer Price Index (CPI)



West Midlands Business Activity Index

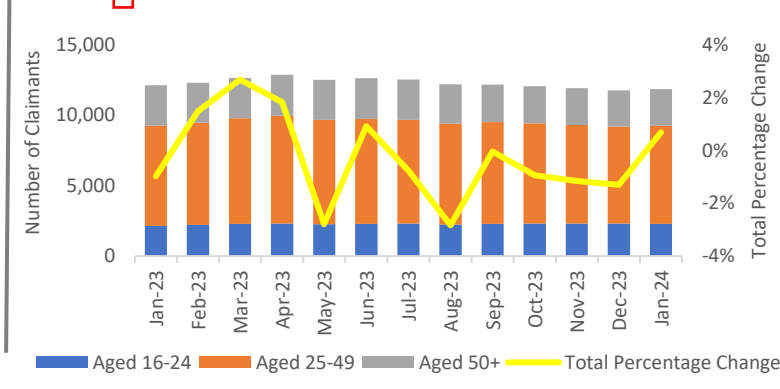


- Utilising a base year of 2015, UK CPI was **131.5** in January 2024; **-0.6% since December 2023**.
- The West Midlands **Business Activity Index** increased from 51.5 in December 2023 to **53.1** in January 2024.

Wolverhampton Job Demand and Interest Trend

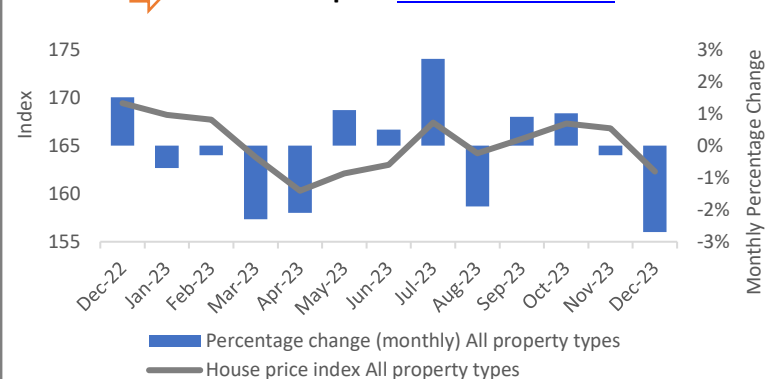


Wolverhampton Claimants



- In the past month, on Adzuna: **1,210 (average) job postings, -36.7% year on year. 0.6 (low) Interest Quotient**.
- In total, **11,840 claimants in January 2024; +80 since December 2023, (-290 since Jan '23, +1,460 since Mar '20)**.

Wolverhampton House Price Index



Wolverhampton Salary Trend



- Wolverhampton's **House Price Index** was **162.3** in December 2023. The monthly Index **decreased by 2.7%**.
- In the past month, on Adzuna: **Median Salary of £30,413 per year, +8.8% year on year**.

Other Recent Data Releases

- The Office for National Statistics (ONS) have released [experimental data on quarterly business enterprise and deaths](#) at a local level, now up to Q4 2023. Analysis for Wolverhampton shows:
 - 330 business births in Q4 2023** (-4.3%, BC -8.9%, WMCA -5.2%, UK -9.4% since Q3 2023).
 - Q4 2022 – Q4 2023 Change: Wolverhampton +6.5%**, BC -1.6%, WMCA -0.1%, UK +2.6%.
 - 625 business deaths in Q4 2023** (+108.3%, BC +42.9%, WMCA +27.1%, UK +8.0% since Q3 2023).
 - Q4 2022 – Q4 2023 Change: Wolverhampton +73.6%**, BC +13.0%, WMCA +0.1%, UK -9.8%.
- The ONS have updated the [disaggregating UK annual subnational GVA to lower levels of geography](#) dataset, now up to 2021. An interactive briefing including data can be found [here](#).
- Centre for Cities have explored [the geography of charitable giving in the UK](#), how it relates to local economic performance, and investigates whether the geography of giving meets the geography of need. Analysis shows an unmet need as Wales, Yorkshire, and the **West Midlands** see the lowest donations per donor to local causes. The share of self-assessment taxpayers making a donation within Wolverhampton were:
 - Wolverhampton North East: 4%
 - Wolverhampton South East: 3%
 - Wolverhampton South West: 9%
- Recent data from the ONS reveals [expenditure on research and development](#) (R&D) performed by UK businesses was £49.9bn in 2022, with **7.7% (£3.8bn) of expenditure on R&D occurring in the West Midlands Region** with 8.4% (55,000) of all R&D employees were in the West Midlands.
- The Greater Birmingham Chambers of Commerce have published a [Business Commission West Midlands Interim report](#).

Economy and Business Intelligence

THEME	KEY INSIGHTS
Economic Outlook	<ul style="list-style-type: none"> The UK slipped into a recession at the end of last year after a poor performance from the dominant service sector pushed the economy into contraction, new figures show. ONS data has revealed that gross domestic product (GDP) is estimated to have fallen by 0.3% in the three months to December 2023, compared with the three months to September 2023. On a quarterly basis, this gives two consecutive falls in GDP. Winter 2024 Economic Forecasts from the National Institute of Economic and Social Research (NIESR) estimate that GDP growth will likely remain sluggish into the medium term and that the United Kingdom was in recession in the second half of 2023 while GDP grew by only 0.3% in 2023. NISER expect GDP to grow by 0.9% in 2024 and at a similar rate throughout the rest of the forecast. As a result, living standards – as measured by real household disposable income – are expected to remain below pre-pandemic levels until 2027-28. While trouble looms nationally, the latest NatWest Purchasing Managers Index (PMI) reports West Midlands business activity and sales expanded at their quickest rates since May 2023. The headline Business Activity Index rose from 51.5 in December to 53.1 in January 2024. Despite recession fears, business optimism nationally remains high and is increasing, not only around revenue growth, but across the board. Grant Thornton’s Business Outlook Tracker finds that respondents’ confidence in their revenue growth expectations has jumped +21 percentage points compared to December, to 79%. This is the highest level seen since August last year and is +8 percentage points higher than the rolling average. The latest analysis from EY reveals the cost of debt has increased, on average, by 3 to 6 percentage points, potentially costing UK Plc an additional £25bn in refinancing by 2027. While the first West Midlands Angel Symposium, a joint initiative between Aston University’s Centre for Growth team and Minerva Business Angels has called for the West Midlands to up its game when it comes to angel investment in order to support more start-up and scale-up businesses and grow the regional economy. Wolverhampton businesses should make avail of Angel funding opportunities. The Business Commission West Midlands (BCWM) has published an interim report and has identified; International Trade, Net Zero, Innovation, Foreign Direct & Inward Investment and Artificial Intelligence & Digital Transformation as prime ‘levers’ for growth across the region. It explores issues ranging from access to finance and public transport provision to the complexity of the regional business support ecosystem and a shortage of suitable premises and sites for the manufacturing sector. It also highlights how businesses perceive the region’s competitive advantages in terms

THEME	KEY INSIGHTS
	<p>of location, education eco-system, connected networks and the role of the West Midlands Mayor in attracting funding and investment.</p>
Trading Environment	<ul style="list-style-type: none"> • The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 4.2% in January 2024, unchanged from 4.2% in December 2023. The Consumer Prices Index (CPI) rose by 4.0% in the 12 months to January 2024, the same rate as December 2023. • Although inflation was still double the BoE's target, analysts had expected an uptick to 4.2%, slightly above the Bank of England's estimate of 4.1%. The OECD said the UK faces the highest rate of inflation in the G7 this year and next. It forecast UK inflation would be 2.8% in 2024 and 2.4% in 2025, adding it expected the BoE to be in a position to lower interest rates in the third quarter of this year. This will come as relief to Wolverhampton businesses who have seen a reduction in profits due to higher costs of materials. • NIESR's measure of underlying inflation, which excludes 5% of the highest and lowest price changes to eliminate volatility and separate the signal from the 'noise', fell to 4.9% in January from 5.5% in December. At the same time, core CPI remained unchanged at 5.1% and services inflation rose marginally from 6.4% in December to 6.5% in January. These measures indicate that underlying inflationary pressures remain elevated – and well above the 2% target. • A relatively mild winter in Europe means stocks of gas have not been depleted by high demand for heating homes, and this is expected to bring down household bills by around 15% when Ofgem recalculates its energy price cap in April. This will come as relief to Wolverhampton residents. • As businesses patiently await the Chancellor's Budget next month, findings from the British Chamber of Commerce Quarterly Economic Survey for Q4 2023 highlights the urgency for action at the Budget. 43% of responding firms with a turnover of less than £85,000 say they are concerned about growing revenue beyond this specifically because of the requirement to pay VAT. Meanwhile, over a quarter of companies (26%) say they have changed plans to upgrade or open premises as a direct result of business rates. 38% of responding businesses say they are now paying more following the 2023 rates revaluation. • Positively, the number of company insolvencies in January 2024 (1,769) has continued to fall since December 2023 (2,002), as levels remain slightly higher than in the previous year (1,685 in January 2023) and continue to be well above pre-pandemic levels. Total company failures for 2023 exceed 25,000 for the first time in 15 years and are at their highest level since the aftermath of the financial crisis in 2009. • Furthermore, the number of West Midlands start-ups hiked sharply last month, according to new research from R3, up by 34.6% since December. However, along came with this a significant rise in cashflow 'red flags'. Levels of debts owed by West Midlands businesses in liquidation in the region more than doubled (115%) since last month. The body's regional chair said this could create a "perfect economic storm". • West Midlands businesses accounted for 8% of UK administrations in 2023, the fifth highest region in the UK, analysis reveals. A total of 1,641 businesses, 139 of which came from the West Midlands, filed for administration last year – marking a 22% increase compared to 2022 and 91% rise in comparison to 2021. Retail, construction, hospitality, manufacturing, and real estate were the worst-hit sectors, collectively accounting for 59% of the administrations. • Furthermore, almost one in five UK-listed companies issued profit warnings last year, more than at the peak of the financial crisis in 2008, revealed in new analysis according to research from EY-Parthenon. • ICAEW's Business Confidence Monitor (BCM) puts confidence at 4.2 on the index for Q4 2023, up from 2.9 in Q3, but below the pre-pandemic average of 7.2 from 2010-19. Customer demand issues, sales growth and high interest rates are likely to have kept optimism subdued, despite easing inflationary pressures. Meanwhile, around one in four companies said the tax burden was a rising source of difficulty, compared to the historic norm of 16%. • ICAEW's latest BCM also reveals that domestic sales growth is continuing to slow, standing at 3.6% year-on-year in Q4 and moving closer to the historical average of 3% (above). Export growth fell more markedly and at 2.1% now stands below the 3% historical norm. Both are also at their lowest point since Q3 2021. However, companies expect faster domestic and export sales growth in the next 12 months. Customer demand remained one of the most significant challenges facing businesses, with 35% citing it as a growing concern, reflecting the continued cost-of-living squeeze and the impact of high interest rates. • The West Midlands commercial property market received £2bn of investment last year, according to the Insite 2024 report from Innes England. Investment in the West Midlands was marginally below the year-on-year average by 9%, and 12% down on the five-year average. That was against a national backdrop of commercial property investment activity projected to total about £37bn in 2023 – a drop of 39% on the previous year. • The Midlands still experienced strong deal activity during 2023, according to a new report by Experian Market IQ, despite a decline in volume. The M&A market in the Midlands was unable to match the "buoyant" volume reported in 2022.

THEME	KEY INSIGHTS
	<ul style="list-style-type: none"> Dealroom activity shows there were 20 deals done across the West Midlands in January 2024. The Midlands had the second-highest number of fraud cases reaching the Crown Courts last year – second only to London in terms of UK regions according to new figures published from KPMG’s UK Fraud Barometer, which records alleged fraud cases with a value of £100,000 and above. Positively, reported fraud values in the Midlands fell by 62%, due to the absence of ‘super cases’. There is real concern in the public and private sectors in the UK that fraud is now at unprecedented levels – according to the Home Office, Fraud accounts for over 40% of crime but receives less than 1% of police resource
Labour Market	<ul style="list-style-type: none"> The latest KPMG and REC UK Report on Jobs survey, compiled by S&P Global showed a weak picture for recruitment activity in the Midlands at the start of 2024. Firms signalled a marked reduction in permanent placements that was little-changed from that seen in December, while temporary billings fell at the fastest pace since June 2020. Survey respondents highlighted that recruitment freezes and cautiousness among clients weighed on permanent hiring, while other firms mentioned muted demand for temporary staff. Wage growth came in above expectations at the end of last year in a sign that a tight labour market might keep inflationary pressures elevated in 2024. Annual wage growth including bonuses averaged 5.8% between October and December, while annual growth in regular earnings (excluding bonuses) was 6.2% according to figures from the ONS. The wholesaling, retailing, hotels and restaurants sector saw the largest annual regular growth rate at 7.2%. Early estimates for January 2024 indicate that the number of payrolled employees rose by 1.4% compared with January 2023, a rise of 413,000 employees. While analysis from the Work Foundation at Lancaster University reveals that 6.8 million people (21.4%) of the active labour market are in severely insecure work, meaning they face low pay, unpredictable hours and are vulnerable to job losses due to a lack of rights and protections. As vacancies continue to fall, analysis from the RAC Foundation revealed more than one in six jobs being advertised in the UK requires applicants to be able to drive. There were 108,000 working days lost in December 2023 because of labour disputes across the UK. The health and social work industry showed the most working days lost this month. Forecasts from the National Institute of Economic and Social Research (NIESR) forecast economy-wide total pay (incl. bonuses) and regular pay to grow by 5.8 and 6.1% in the first quarter of 2024, respectively. As February welcomed National Apprenticeship Week, new research reveals that qualifications are no longer centre stage when hiring first-time jobseekers, with employers favouring aptitude. The British Chambers of Commerce People and Work report launched at the Manufacturing Technology Centre in Coventry outlines a 10-point plan to boost workforce skills, by supporting people at every stage of their journey through education and employment. The West Midlands Combined Authority (WMCA) has announced a new £7.5m adult skills investment to help thousands more young people into apprenticeships. This will benefit Wolverhampton residents. Furthermore, the WMCA have also secured £27m in funding to provide bootcamps to help people to upskill and land a job. This support is needed, given that mid-sized businesses in the Midlands would like to hire more apprentices but lack the funding to do so, according to new data from accountancy and business advisory firm BDO. 36% of respondents want greater support from a future government to resolve staff or skills shortages, including reform to the Apprenticeship Levy.

Economy and Business Intelligence – By Sector

SECTOR	KEY INSIGHTS
Manufacturing and Engineering	<ul style="list-style-type: none"> New car registration figures from the Society of Motor Manufacturers and Traders (SMMT) for January 2024 reveal almost two-thirds of new cars sold were to fleet, versus the traditional 50/50 split of fleet and retail. EY note that one critical challenge for manufacturers will be how to make this channel mix sustainably profitable. The deferral of the ‘rules of origin’ legislation will provide further impetus to automotive manufacturing, in the UK and continental Europe. More than half (53%) of UK manufacturers have been impacted by the disruption to shipping in the Red Sea. Research from MakeUK reveals Britain’s manufacturers are stepping up their ESG commitments as the topic rises rapidly on the boardroom agenda in response to the growing labour market, government, investor and customer pressure. The number of firms setting ESG targets for their business has increased by 48%, with around two thirds (62%) of manufacturers now doing so since 2021, according to a new report launched by Make UK and Lloyds Bank.

SECTOR	KEY INSIGHTS
	<ul style="list-style-type: none"> Britain's manufacturers realised productivity improvements worth £48.5bn in 2023, according to analysis of ONS data. This is an increase of 8.6% on 2022 levels and includes multi-billion-pound improvements in automotive and food production output. Output per manufacturer increased by 1.2% between Q4 2022 and Q4 2023, while productivity per manufacturer was up 1%. On average, each active UK manufacturer produced goods worth £1.13m in Q4 2023, up from £1.10m in 2022. Additionally, output per employee was up 2% year-on-year. A new region-wide rail training academy designed to support hundreds of new training and employment opportunities for local people in the rail sector has opened in Dudley, called the Very Light Rail National Innovation Centre.
Retail, Hospitality and Tourism	<ul style="list-style-type: none"> Retail sales volumes are estimated to have rebounded by 3.4% in January 2024, following a record fall of 3.3% in December 2023 (revised from a fall of 3.2%). This was the largest monthly rise since April 2021 and returned volumes to November 2023 levels. This reflected rising levels of consumer confidence, as well as a boost from the January sales. Economic strains have sparked a 'bloodbath' in hospitality, with scores of closures already this year, with restaurateurs calling for an immediate drop in VAT.
Construction	<ul style="list-style-type: none"> Monthly construction output in the UK is estimated to have decreased 0.5% in volume terms in December 2023. Quarterly construction output saw a decrease of 1.3% in Quarter 4 (Oct to Dec) 2023 compared with Quarter 3 (July to Sept) 2023; this came solely from a decrease in new work (5.0% fall), as repair and maintenance increased by 4.0%. A new report on HS2 from Arcadis estimates the West Midlands economy could be boosted by £10bn during the next 10 years as 41,000 homes and 7.5 million sq ft of commercial floorspace will be generated within a 1.5-mile radius of Curzon Street and Interchange stations, in Birmingham and Solihull respectively, and the depot and control centre in Washwood Heath. The report also indicated that 30,835 new jobs will be created.
Tech / Digital	<ul style="list-style-type: none"> The UK Government have invested £45 million in the UK's quantum sector as part of its commitment to transforming into a quantum-enabled economy by 2033 – seizing this technology's potential to overhaul healthcare, energy, transport and more. This month the Government responded to the AI Regulation White Paper, setting out the ambition for AI regulation and the need to strike a careful balance between innovation and regulation, whilst also avoiding a 'one size fits' all approach. The Government have released a draft Code of Practice on cyber security governance to help directors and senior leaders shore up their defences from cyber threats. The West Midlands Growth Company (WMGC) has launched the West Midlands Global Growth Programme for 2024, offering free support to international tech companies aiming to establish themselves in the region. The 2024 Global Growth Programme will be delivered across five hubs in Birmingham, Wolverhampton, and Coventry, catering to sectors like Health Tech, Clean Tech, Digital Tech, and Future Mobility. The WMCA has launched a revitalised Digital Roadmap to enhance digital skills, broadband connectivity, and technology adoption, addressing challenges like digital poverty.
Environmental Technologies	<ul style="list-style-type: none"> Twelve industrial areas are the latest to benefit from the Local Industrial Decarbonisation Plans (LIDP), receiving a share of up to £6m to decarbonise businesses in areas that account for high emissions. Winning projects include the Decarbonising the Midlands Aerospace Cluster (DMAC) led by the Midlands Aerospace Alliance. The next round of funding has opened for the Industrial Energy Transformation Fund (IETF), which aims to help companies replace inefficient equipment, install electric furnaces and switch to hydrogen.

NEW ECONOMIC SHOCKS

COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
The Body Shop	Wolverhampton	Retail	Up to 2,000 jobs across the cosmetic chain's stores are at risk. Shops, including those in Lichfield, Merry Hill, Shrewsbury, Telford, Willenhall and Wolverhampton , are remaining open as usual while efforts are made to try to save the business.

NEW INVESTMENT, DEALS AND OPPORTUNITIES

COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
The Eden Property Group	Wolverhampton	Housing	Wolverhampton's former landmark department store Beatties has been acquired for £6.15m, after sitting vacant since the departure of House of Fraser in 2020. The Eden Property Group, based in Middlesex, has purchased the 376,000 sq ft property on Victoria Street which comes with a £70m development opportunity. More than 400 homes are expected to be built on the site thanks to two former planning applications.
Keon Homes	Wolverhampton	Construction / Housing	Keon Homes has made four new land deals worth more than £28m to start 2024. As a developer of affordable housing and extra care schemes, the company has secured three sites in Coventry, Nuneaton, and Wolverhampton .
In-Comm Training	Wolverhampton	Manufacturing / Aerospace / Skills	In-Comm Training has joined forces with one of Wolverhampton's largest employers, the DWP and the WMCA to help unemployed people into advanced manufacturing jobs. The independent training provider, which operates two state-of-the-art technical academies in Aldridge and Telford, has created a fast-track course that will aim to create up to 65 new CNC machinists and electro-mechanical fitters for RTX's Collins Aerospace factory in Wolverhampton.
Drywall Steel Sections	Ettingshall	Manufacturing	A family-run Black Country manufacturer has moved and doubled the size of its factory following a £7.59m investment from the West Midlands Combined Authority. Drywall Steel Sections, which has invested alongside the WMCA into the wider £13m scheme, has moved to a 39,850 sq ft factory built on 4.5 acres of brownfield land in Ettingshall, Wolverhampton.
Tesla	Wolverhampton	Automotive	Global electric car giant Tesla is set to bring scores of jobs to the West Midlands. It is planning to build a major new 'regional hub' that will be a centre for servicing for the whole region. The 18,000 square metre site will be created on a major plot of land at the University of Wolverhampton Science Park.
Precision Stone	Wolverhampton	Manufacturing	More than 40 jobs have been saved at a Wolverhampton manufacturer, after administrators secured a rescue deal. Precision Stone, a manufacturer of bespoke quartz, granite, marble and ultra-compact surfaces, has been sold to Derbyshire based National Stone Surfaces and will be known as Precision Stone Surfaces going forward.