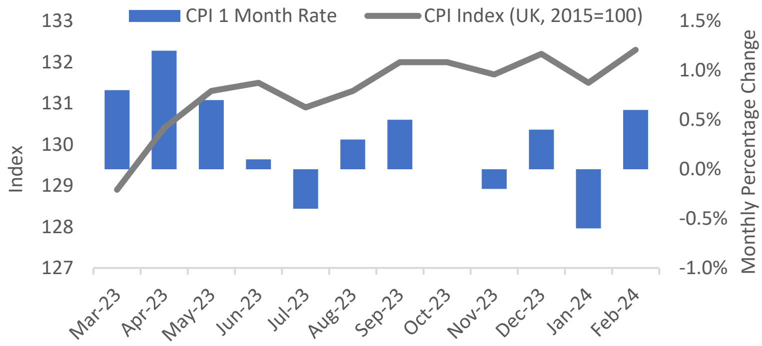
Sandwell Monthly Economic Insights, April 2024

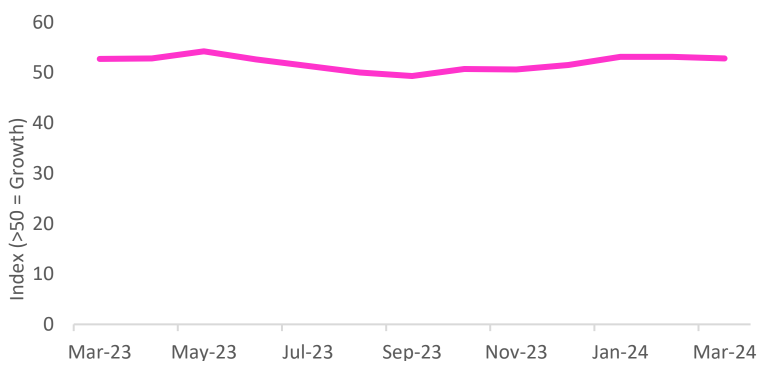
A mix of wet weather and the lingering interest rates in the first quarter of this year could dampen the swift economic recovery that many are predicting, with the business landscape reflecting these uncertainties. Challenges including rising costs and borrowing, struggles with accessing funding, and fading demands have impacted business confidence in the West Midlands. Yet, there's a silver lining as productivity efforts among SMEs drive optimism. In Sandwell, although GVA is growing, so is unemployment levels and residents with no formal qualifications, meaning Sandwell is positioned precariously.

Monthly Monitoring Indicators

UK Consumer Price Index (CPI)

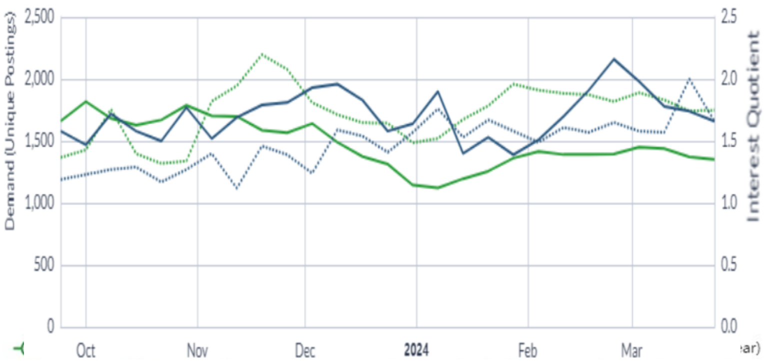


West Midlands Business Activity Index

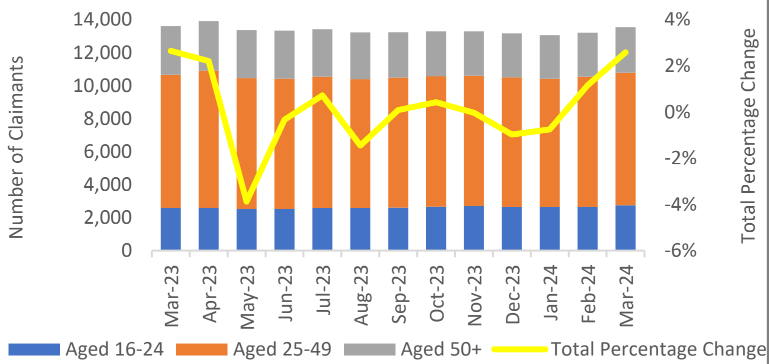


- Utilising a base year of 2015, UK **CPI was 133.0** in March 2024; **+0.6% since February 2024.**
- The West Midlands **Business Activity Index** decreased from 53.1 in February 2024 to **52.8 in March 2024.**

Sandwell Job Demand and Interest Trend

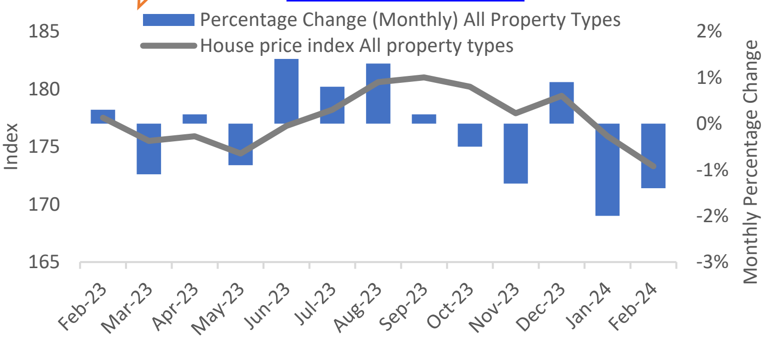


Sandwell Claimants

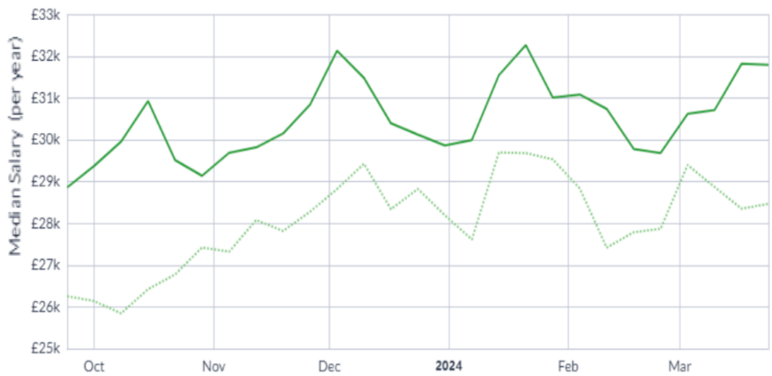


- In the past month, on Adzuna: **2,580 (high) job postings**, **-40.5% year on year.** 1.7 (high) Interest Quotient.
- In total, **13,540 claimants in March 2024**; **+340 since February 2024**, (-65 since Mar '23, +2,760 since Mar '20).

Sandwell House Price Index



Sandwell Salary Trend



- Sandwell's **House Price Index was 173.3 in February 2024**. The Monthly **Index decreased by 1.4%.**
- In the past month, on Adzuna: **Median Salary of £30,208**, **+5.8% year on year.**

Other Recent Data Releases

- An update from the Office for National Statistics (ONS) on Gross Value Added (GVA) reported for 2022:
  - **Sandwell Total GVA: £6.8bn** (+6.3% or +£405m, UK +9.7% since 2021).
  - **Sandwell GVA per Head: £19,750** (+5.6% or £1,052, UK +8.8% to £33,227 since 2021).

- The ONS Annual Population Survey (APS) has been updated to show the latest full year data (2023) for **employment activity**:
  - **Sandwell Employment Rate: 74.3%** (+6.3 percentage points (pp), UK +0.4pp to 75.7% since 2022).
  - **Sandwell Unemployment Rate: 6.1%** (+0.1pp, UK +0.2pp to 3.8% since 2022).

- The ONS APS was also updated for qualification levels in 2023:
  - **Sandwell working age population with RQF4+: 31.2%** (+43.8% or +19,600, UK +5.9% to 47.1%).
  - **Sandwell working age population with no qualifications: 11.8%** (+8.5% or +1,900, UK -2.9% to 6.6%).

- The latest data from Sports England's Active Lives Adult Survey (covering the period of November 2022-23) shows:
  - **Sandwell Physical Active Rate: 51.4%** (-0.1pp, England +0.3pp to 63.4% since Nov 2021/22).
  - **Sandwell Physical Inactive Rate: 38.2%** (+1.4pp, England -0.1pp to 25.8% since Nov 2021/22).

- The Department for Energy Security & Net Zero reported that in 2021 the West Midlands region had the highest rate of households in fuel poverty at 19.6%, with the England-wide figure at 13.1%. Across the local authorities in England, **Sandwell was 5th highest with 22.0% (29,683) households in fuel poverty.**

Economy and Business Intelligence

THEME	KEY INSIGHTS
Economic Outlook	• There is concern that the UK is stuck on a low-growth treadmill. Recent data from the Office for National Statistics (ONS) reveals **monthly real gross domestic product (GDP) is estimated to have grown by 0.1% in February,** following a revised 0.3% growth in January. This monthly figure was mainly driven by **increasing output in production, particularly manufacturing and services. GDP grew by 0.2% in the three months to February** relative to the previous three-month period. This was generated by a rise in output in **production and services.** • The EY ITEM Club Spring Forecast **expects the UK economy to grow 0.7% in 2024**, downgraded slightly from the 0.9% projected in January's Winter Forecast. However, **GDP growth expectations for 2025 have been upgraded from 1.8% to 2%.** Inflation is forecast to fall **below 2%** in H2 2024 due to lower wholesale energy prices and slower increases in food and goods prices. Bank Rate is now expected to fall 75 basis points in 2024 to 4.50%. This will come as welcome news to Sandwell businesses. • Although economic activity has picked up since the start of the year, **the outlook remains weak by historical standards**. NIESR **forecast GDP to grow by 0.4% in the first quarter of 2024**. Their early forecast for the second quarter of this year sees **GDP growing by 0.3%.** While exiting from the shallow recession in the second half of 2023 is welcoming, these forecasts remain broadly consistent with the longer-term trend of low, but stable economic growth in the United Kingdom. • NIESR note, to escape a low-growth trap, **structural changes are needed, such as an increase in public investment, particularly in infrastructure, education and health** – which would also support growth in business investment. • The latest economic forecast from the **Office for Budget Responsibility (OBR)** paints a notably optimistic picture of the UK's near-term growth prospects. It expects the UK economy to grow by 0.8% this year, beating its previous forecast of 0.7% growth made in November. Expectations for GDP growth are now 1.9% in 2025, up from predictions in November of 1.4% GDP growth in 2025. • The latest NatWest Purchasing Managers Index (PMI) reports **West Midlands business activity decreased from 53.1 in February 2024 to 52.8 in March 2024.** This reading still indicates an increase in business activity but was restricted due to fading demand.
Trading Environment	• **The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 3.8%** in the 12 months to March 2024, unchanged from February. The **Consumer Prices Index (CPI) rose by 3.2%** in the 12 months to March 2024, down from 3.4% in February. • 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 3.1% in March from 3.9% in February; core CPI fell to 4.2% from 4.5%; and services inflation fell to 6.0% from 6.1%.** These measures indicate that underlying inflationary pressures remain elevated – and well above the 2% target.

THEME	KEY INSIGHTS
	• As was largely expected, **the Bank of England kept interest rates on hold at 5.25%**, leaving the cost of borrowing at its highest level since 2008 for the fifth time in a row. • The British Chamber of Commerce's most recent Quarterly Economic Survey showed **almost half of firms expect their prices to rise over the next three months. Labour costs are cited as the main driver**, but increasing political and global uncertainty is becoming a key factor. Businesses will be keen to see how this data translates into changes on interest rate policy. British Chambers of Commerce reveal **more than a third of SMEs surveyed at the start of the year have seen increased borrowing costs because of the current interest rate, with small and mid-sized firms (39%), manufacturers (36%) and business to consumer firms (37%) are more likely to report a negative impact.** • **As small and medium sized firms across the UK continue to deal with ongoing economic pressures –** new data from the British Chambers of Commerce Insights Unit reveal around half (49%) of business surveyed who accessed finance felt that getting funding had become more challenging over the past three years. Only 13% said it was getting easier. • Be the Business' Productive Business Index **demonstrates higher levels of confidence and optimism amongst UK SMEs** by 2.5 points, driven by a strong growth in activities to improve productivity being undertaken and planned by businesses. **38% of business leaders predict increased revenues over the next 3 months** - the most positive forecast since the first edition of the PBI in 2021. • The latest ICAEW Business Confidence Monitor reveals **the West Midlands was the only region to see confidence fall, reaching its lowest level for a year**, but remains positive and above its historical norm. After a trend of weakening in previous quarters, companies in the **West Midlands reported a relatively strong uplift in domestic sales growth, with a 4.0% increase that outpaced the national average (3.3%).** Businesses in the region are predicting further strengthening of domestic sales growth to 5.8% over the coming year, nearly double the historical average (3.1%). • The number of **companies in the Midlands going into administration surged by almost 40%** in the first quarter of the year, reflecting the challenges faced by businesses in the region. There were 43 administrations across the Midlands in Q1 2024, up from 31 in the same period last year. • The Government announced that **businesses that import animal and plant products from the EU will have to pay common user charges** on all imports to Great Britain from 30 April. This will affect a range of small firms, including garden centres and tapas restaurants.
Labour Market	• The Prime Minister has announced plans to consult on reforms to disability benefits, following new forecasts from the Department for Work and Pensions and the Office for Budget Responsibility indicating a **substantial increase in the number of people claiming health-related benefits in the coming years.** • **Calculations by IFS researchers suggest that there are now 4.2 million working-age individuals – one in ten – in Great Britain claiming a health-related benefit. That number could rise to 5.4 million (12.4%) by 2028–29, a rise of more than 2 million since 2019–20**, with the rapid increases in health-related benefits cases that began around the beginning of the pandemic projected to continue. Similar trends are observed in Sandwell. • While the causes of the recent rise in incapacity and disability benefits are not yet well understood, the implications for government spending – not to mention the population's health – are significant. • NIESR report that **wage growth remains high by historical standards, enabling households to achieve real income gains** following a period of purchasing power erosion due to high inflation. Real wage growth is expected to bolster the UK economy's recovery from a shallow recession. • **The annual growth rate of average weekly earnings, including bonuses, was 5.6%** in the three months to February 2024, while pay growth excluding bonuses was 6%. In real terms, economy-wide total pay increased by 1.6%, its highest level since October 2021. • NIESR estimates suggest **economy-wide total pay grew by 5.6%** in the first quarter of 2024. They expect wage growth rate to continue slowing as the labour market gradually cools in the second quarter, however, the **9.8% rise in national minimum wage in April (for those aged 21 and over) may keep wage growth elevated.** • Early estimates for March 2024 indicate that **the number of payrolled employees decreased by 67,000 (0.2%) on the month** but increased by 204,000 (0.7%) on the year to 30.3 million. • With the number of vacancies continuing to fall, and unemployment ticking up, there are further signs that the labour market is cooling. • From April 2024, the **National Living Wage and the National Minimum Wage rates are set to increase**, which is fully in line with the Low Pay Commission recommendations and NIESR's research that helped to shape them.

The Economic Intelligence Unit

Economy and Business Intelligence – By Sector

SECTOR	KEY INSIGHTS
Manufacturing and Engineering	• **A costly paperwork burden has been lifted for UK steel product exporters.** Since last autumn, companies exporting products containing iron and steel to the EU, have been required to provide 'mill certificates' to prove the elements did not originate from Russia. This proved either expensive or impossible for many UK businesses resulting in the loss of crucial export markets. Following months of talks by the British Chambers of Commerce, with UK and European officials, the EU has now scrapped the paperwork requirement. Officials in Brussels have now designated the UK as a partner country on steel sanctions against Russia, meaning the certification paperwork is no longer needed. • Make UK's latest report reveals **Britain's manufacturers could boost their own investment by up to £10 billion if they were to take advantage of the range of public and private financial options available to them**, helping to raise the investment potential of the sector overall by up to a fifth and address the UK's long-term productivity weakness. More than a quarter of companies (26%) would **increase their own investment** by up to a fifth if access to finance was improved, while more than one in ten (12%) would increase their investment by up to half. • Food and drink manufacturers outperformed all other UK sectors in both **output and new order growth** in March.
Retail, Hospitality and Tourism	• After a challenging start to the year, **retail sales remained flat in March after an increase of 0.1% in February. Easter did not bring the increase in sales that retailers were hoping for**, with sales volumes and values remaining relatively unchanged for a second month. Non-food stores saw sales volumes rise by 0.5%, while food stores and non-store retailers saw a fall of 0.7% and 1.5%. As we head into the summer months, retailers are hoping for a turning of the tide as consumer confidence grows.
Construction	• A new report from FRP, the business advisory firm, reveals concerns among construction firms in the West Midlands about their ability to stay in business through 2025. In the West Midlands, **38% of firms are unsure if they can continue trading. Access to funding** is increasingly challenging, with 38% struggling last year. **Tax burdens** are also a worry, with 50% unsure if they can pay their taxes this year. **Political uncertainty** is causing delays in investment and work commissioning for 62%. Concerns vary, with **high-interest rates and weak consumer demand** highlighted. • Monthly **construction output is estimated to have decreased 1.9% in volume terms in February 2024**; this follows a 1.1% increase in January 2024, with the monthly value in level terms at £15,229 million in February 2024. The decrease in monthly output came from decreases in both new work (2.3% fall), and repair and maintenance (1.4% fall); **anecdotal evidence from survey returns suggested effects of heavy rainfall led to delays in planned work and decreasing output in February 2024.**
Tech / Digital	• **Tech firms** from the South West and **West Midlands are invited to join a trade mission to Hong Kong, offering opportunities to export to the Asia Pacific region.** • **TechWM has launched a Women in Tech Special Interest Group** to promote gender equality and empower women in the region's tech sector, aiming to address disparities and foster diversity. • The inaugural **Innovation Funding and Support Conference**, hosted at Birmingham's STEAMhouse on April 5th, has concluded successfully, marking a significant milestone for the manufacturing, engineering, and technology sectors in the West Midlands. • The West Midlands witnessed a remarkable 25% increase in new technology companies, with 2,797 firms incorporated last year, **showcasing the region's tech sector resilience amidst broader economic challenges.** • The West Midlands tech ecosystem is set to benefit from a **£1m investment across sectors including AI, green tech and digital skills**. The funding will be deployed across five projects aimed at accelerating the growth of the tech industry in the region.
Transport Technologies and Logistics	• A new report reveals significant potential for hydrogen rail in the Midlands. The report identified that the **Midlands region could be a pivotal player in the decarbonisation of the UK rail sector through the potential adoption of hydrogen rail technology.** • A new report by Midlands Connect highlights the **'massive' benefits to major universities** throughout the region if the rail link between Coventry, Leicester, Nottingham is delivered. **Academics said it would facilitate growth at the universities and help collaboration.** • Network Rail has launched a five-year plan, with an investment of **£45.4bn, aimed at creating a more efficient and environmentally friendly railway network** that can withstand the challenges posed by climate change. • The new plate month of March 2024 delivered 317,786 new car registrations, marking the **20th consecutive month of growth for the UK auto industry as well as representing a 10.4% year-on-year increase and the best March since 2019**.

SECTOR	KEY INSIGHTS
Sport and Physical Activity	• The new evaluation has revealed that the **Birmingham 2022 Commonwealth Games contributed almost £1.2 billion to the UK economy**. The positive impact of the UK hosting major sporting events has been outlined in a new report which shows the economy has grown, new jobs have been created and new infrastructure has been delivered that provides a lasting legacy in the West Midlands.
Environmental Technologies	• A new survey of local authorities has found that **navigating bureaucratic systems only to access short-term fund pots is hindering efforts to reach net-zero**, with the Local Government Association (LGA) calling for an overhaul of how councils can access climate funding. **90% of councils do not think that current financial pots are adequate to enable the delivery of net-zero by 2050**. • New research has found that lifting barriers to onshore wind and solar power could lead to a **13-fold increase in clean energy generation in England. 374,900 hectares – totaling 2.9% of land in England – is 'most suitable' for new onshore wind and solar farms.** North Yorkshire, Lincolnshire and East Riding of Yorkshire are among the top areas with potential for new onshore wind and solar projects. **An interactive map shows sites at local authority level.** • The UK Treasury's Transition Plan Taskforce (TPT) has unveiled new resources to aid businesses in **accessing finance for achieving net-zero emissions**, in addition to its disclosure framework for transition plans that ensures consistent and comparable reporting across companies and financial institutions worldwide. • New research from **Energy Systems Catapult** has revealed that **UK businesses will need to accelerate investment into cleantech solutions over the next 15 years** as the pathway to achieving net-zero emissions by 2050 narrows down. • According to research, **the climate crisis could shrink the UK economy by more than 7% by the end of the century**, unless global efforts to reach net-zero emissions are ramped up.

NEW ECONOMIC SHOCKS			
COMPANY	**LOCATION**	**SECTOR**	**DETAIL & SOURCE**
West Bromwich Albion Football Club	West Bromwich	Sport	A loss of £11million has been recorded in West Bromwich Albion's latest set of financial accounts. The filings, submitted to Companies House and dated for 12 months to June 2023, show a loss after profits had been reported in two years previously. The loss is after a pre-tax profit of £5.4m recorded to June 30, 2022 and a small profit of £100,000 to June 2021.

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
COMPANY	**LOCATION**	**SECTOR**	**DETAIL & SOURCE**
Sandwell Children's Trust	Sandwell	Social Care	Sandwell Children's Trust, said it is again considering opening 'internal' residential homes in the borough – a decade on from the last council-owned home closing. The latest figures show more than 90 per cent of children in care in Sandwell are currently placed outside of the borough.
The Weedon Group	West Bromwich	Manufacturing	The Weedon Group, a corrugated packaging manufacturer which has bases in Manchester and Staffordshire, has been bought by Zeus Packaging Group, for an undisclosed sum. West Bromwich-based Zeus said the acquisition will take its annual revenues to around £478m, while increasing focus on paper-based packaging solutions.
Lok'nStore	Oldbury	Self-Storage	Fast-growing self-storage firm Lok'nStore has been acquired by Shurgard in a £378m deal. AIM-listed Lok'nStore first opened in 1995 and has grown to have a portfolio of 43 stores across England and Wales, including Oldbury. Shurgard, the largest developer, owner and operator of self-storage will double its UK presence through the acquisition, gaining 171,000 sq m comprising 121,000 sq m of operating stores and 50,000 sq m of secured development pipeline.
Boxon Logistics	Tipton	Logistics	Boxon Logistics is looking to use Robins Business Park in Tipton as an operating centre for five goods vehicles and has made an application for a Goods Vehicle Operator's License with the Traffic Commissioner.