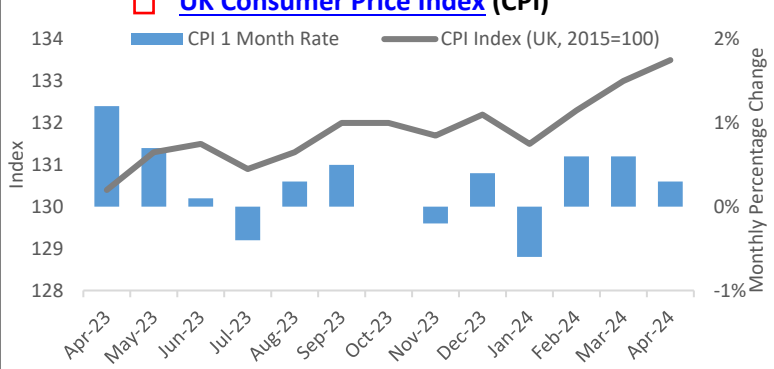


Sandwell Monthly Economic Insights, May 2024

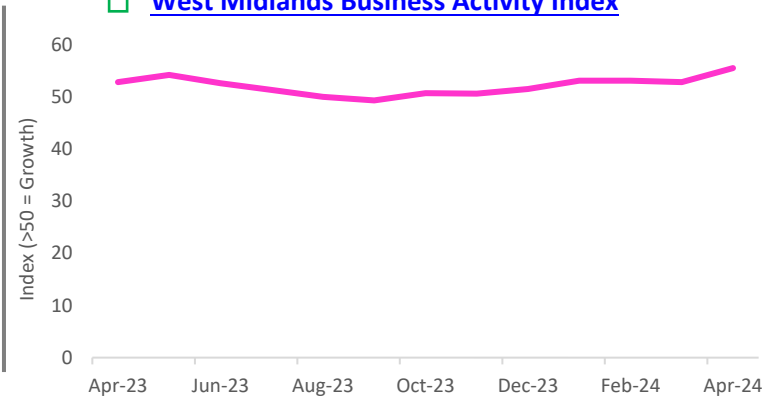
After a turbulent 4-year period, the UK economy appears to be heading back to more normal ranges for most key economic indicators with forecasts pointing to further growth and headline inflation expected to come down to the 2% target rate in the summer. Small firms' confidence has grown this quarter, despite competition for skills, increased wage costs and high interest rates continuing to ramp up pressure on businesses and act as a drag on investment and growth. Sandwell businesses however are resilient, as business births are up and deaths falling at faster rates than seen nationally over the past year.

Monthly Monitoring Indicators

UK Consumer Price Index (CPI)



West Midlands Business Activity Index

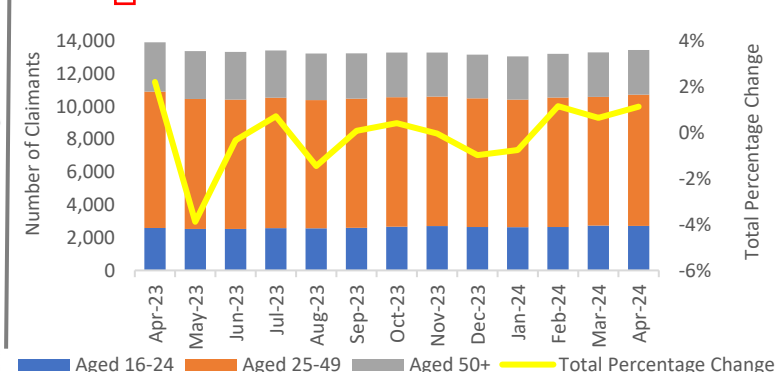


- Utilising a base year of 2015, UK CPI was **133.5** in April 2024; **+0.3% since March 2024**.
- The West Midlands **Business Activity Index** increased from 52.8 in March 2024 to **55.5** in April 2024.

Sandwell Job Demand and Interest Trend

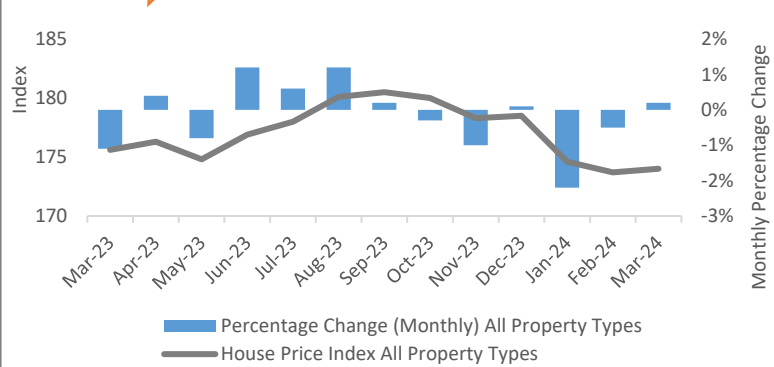


Sandwell Claimants

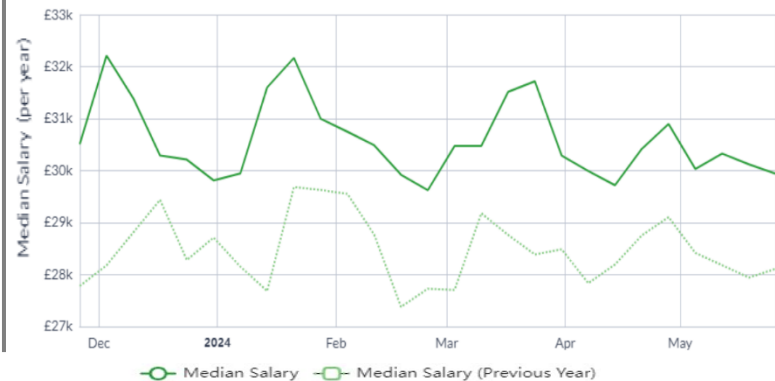


- In the past month, on Adzuna: **2,879 (high) job postings, -20.9% year on year**. 1.6 (high) Interest Quotient.
- In total, **13,435 claimants in April 2024; +150 since March 2024, (-470 since Apr '23, +2,655 since Mar '20)**.

Sandwell House Price Index



Sandwell Salary Trend



- Sandwell's **House Price Index** was **174.0** in March 2024. The Monthly Index increased by **0.2%**.
- In the past month, on Adzuna: **Median Salary of £30,233, +4.7% 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 Q1 2024. Analysis for Sandwell shows:
 - 425 business births in Q1 2024 (+16.4%, BC +17.9%, WMCA +16.2%, UK +17.9% since Q4 2023).**
 - Q1 2023 – Q1 2024 Change: Sandwell +6.3%, BC +12.0%, WMCA +13.5%, UK +6.1%.**
 - 490 business deaths in Q1 2024 (+21.0%, BC +9.2%, WMCA +12.2%, UK +17.3% since Q4 2023).**
 - Q1 2023 – Q1 2024 Change: Sandwell -18.3%, BC -33.4%, WMCA -29.1%, UK -17.2%.**
- Beauregard have released the latest [Local Growth Index](#) which provides a data profile on businesses for every local authority across the UK and findings for Sandwell’s business environment include:
 - 22.2k active companies (+4%), £14.3bn in total turnover (+20%) and 119k total employees (+24%)** (average turnover of £20.3m and average of 13 employees).
 - 38 companies with Environmental Signals and 528 companies with Social & Governance Signals.**
 - 65 companies with a patent, 57 Scaleup companies, 28 companies with an innovation grant and £7.61m in innovation grants.**
- Department for Business and Trade have released the [2023 UK Innovation Survey \(UKIS 2023\)](#), covering the period 2020 to 2022, findings include:
 - Black Country: 31.9% of businesses are innovation active – decrease from 43.5% in 2018-2020.**
 - WMCA: 31.7% of businesses are innovation active – **decrease from 45.0% in 2018-2020.**
 - West Midlands Region: 35.4% of businesses are innovation active – **decrease from 48.6% in 2018-2020.**
 - UK: 36.3% of businesses are innovation active – **decrease from 44.9% in 2018-2020.**

Economy and Business Intelligence

THEME	KEY INSIGHTS
Economic Outlook	<ul style="list-style-type: none"> The UK economy has largely flatlined following the initial stages of post-pandemic recovery. Recent data from the ONS reveals monthly real gross domestic product (GDP) is estimated to have grown by 0.4% in March 2024, following growth of 0.2% in February 2024 (revised up from 0.1% growth in the previous publication) and an unrevised growth of 0.3% in January 2024. This monthly figure was mainly driven by increasing output in services sectors, particularly transportation and storage sector. GDP grew by 0.6% in the first quarter of 2024 relative to the previous three-month period, a stronger-than-expected growth compared to the forecast last month. This was generated mainly by a widespread increase in services output. NIESR expect monthly GDP will continue its momentum in April, growing by 0.1% relative to March, driven by growth mainly in services and production, particularly Agriculture. Indeed, the S&P Global/CIPS UK services PMI reported an optimistic balance of 55.0 in April 2024 up from 53.1 in March 2024. In line with this positive sentiment, NIESR now forecast GDP to grow by 0.6% in the second quarter of 2024, mainly driven by services sectors. CBRE’s Economic Outlook Q2 2024 expects the headline inflation rate to come down to the Banks 2% target rate. However, the trajectory will not be smooth. And while it will likely first reach 2% in the summer, it may oscillate around this level for the remainder of the year before stabilising at the target in early 2025. The outlook remains conditional mainly on the trajectory of inflation. Any destabilising factors domestically, like stubborn wage growth, or globally such as the escalation of the Middle East conflict, could slow the return to target, delaying rate cutting and dampening the recovery. The latest NatWest Purchasing Managers’ Index (PMI) reports West Midlands business activity increased from 52.8 in March 2024 to 55.5 in April 2024, the strongest rate of growth since March 2022.
Trading Environment	<ul style="list-style-type: none"> The Consumer Prices Index including owner occupiers’ housing costs (CPIH) rose by 3.0% in the 12 months to April 2024, down from 3.8% in the 12 months to March. The Consumer Prices Index (CPI) rose by 2.3% in the 12 months to April 2024, down from 3.2% in the 12 months to March. 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 2.5% in April 2024 from 3.1% in March 2024; core CPI fell to 3.9% from 4.2%; and services inflation fell to 5.9% from 6.0%. These measures indicate that underlying inflationary pressures remain elevated – and well above the 2% target.

THEME	KEY INSIGHTS
	<ul style="list-style-type: none"> • As a result, NIESR think the Bank of England may need to exercise some caution in its expected upcoming monetary loosening. Indeed, as discussed in the Spring UK Economic Outlook, we may not see a rate cut in June due to the upwards risk that elevated services and core inflation pose to the headline rate. • The economic growth Sandwell businesses want to see will be powered to a great degree by small firms, so it is vital to get their growth ambitions back on track, not held back by cost pressures and high interest rates. Small firms' confidence levels started to rise over the first quarter of this year, according to FSB research, and the FSB want to see this valuable momentum keep and even pick up pace, rather than stalling or slipping back again. • Small firms' confidence is returning – in part because they are anticipating rate cuts this year. The decision to hold the base interest rate at 5.25% was widely predicted, but there is only so long small firms can wait for a cut in interest rates. • The FSB's Small Business Index research finds welcome signs that small firms are on the road to growth. The headline confidence reading jumped up over 20 points, to reach +5.5 points in the first three months of 2024. Manufacturing was the most positive sector at +19.2 points. However, challenges remain for the hospitality and food sectors, which recorded -11.8 points. • The Resolution Foundation reveal the six ways in which the inflation surge has changed the British economy: <ul style="list-style-type: none"> ○ There has been a massive rise in the price of essentials, particularly energy. ○ The surge in inflation has eroded the value of earnings with lower-paid workers taking less of a hit on average. ○ Other elements of families' income have responded very differently to the rise in inflation. ○ Families have increased saving during the cost-of-living crisis – a surprising reaction to high inflation and very different to the US. ○ Higher saving hasn't translated into better balance sheets for households. ○ In contrast to past experience of high inflation, public debt has risen during the inflation surge. • High costs have turned into real concerns for businesses across the Midlands, as the EY-Parthenon Profit Warnings Report reports in the first quarter of 2024, listed companies in the Midlands saw an uptick in profit warnings with a total of nine issued – an 80% increase compared to the same period in 2023. These figures also represent the highest number of warnings recorded since Q4 2022. Nationally there was a decrease of 7%. • The number of insolvencies in England and Wales shot up by a fifth and remains at a level not seen since the 2008-09 recession. Corporate insolvencies increased by 18.4% in April to a total of 2,177 compared to March's figure of 1,838, and by 52.7% in comparison with the pre-coronavirus figure of 1,426 in April 2019. • The UK remains second in EY's annual ranking of European countries by their ability to attract Foreign Direct Investment (FDI) projects and was the only country in the top three to see project numbers increase year-on-year, according to the EY 2024 UK Attractiveness Survey. The UK was home to 985 FDI projects in 2023, which was a 6% increase from 2022. • UK innovation has fallen to its lowest level in over a decade, according to new data. The percentage of businesses actively engaged in innovation dropped by 9 percentage points from 44.9% in 2018-20 to 36.3% in 2020-22, with the West Midlands decreasing from 48.6% to 35.4%. This decline, coupled with a recent fall in private research and development (R&D) investment, raises concerns about the UK's ability to compete in the global innovation landscape. • More businesses are recognising they must invest in R&D and innovation to remain competitive in a world where technology changes in fast, impactful and often unpredictable ways. The UK is one of the few countries in which business R&D spending is falling. Data published by the Office of National Statistics in February showed total business investment in R&D falling by 0.4% in real terms between 2021 and 2022. This looks worse still when compared with a global rise of 5% in the same period, reported in OECD data released at the end of March. This means the UK is missing out on attracting and building the companies that would bring growth and resilience to our economy, this will be of huge concern to Sandwell businesses. • The increased take-up in Birmingham's office market, combined with the diversification in its occupier base, demonstrates the city's continued strength as a key business destination. Savills data reveals Birmingham saw a rise in office take-up, reaching 203,385 sq. ft in Q1 2024. This was a 32% increase compared to Q1 2023 and an 11% and 19% increase against the five and ten-year averages, respectively. Due to this demand and a shortage of space, the headline rent has risen to £42.50 per sq. ft, with expectations of reaching £43.50 per sq. ft by the end of the year.
Labour Market	<ul style="list-style-type: none"> • Real wages – measured in terms of the goods that workers can buy with their regular wages – rose by around 2% in the year to February 2024. This is much faster than the average in recent years – real wages did not grow at all in the preceding 16 years. The positive side to this wage growth is that it has protected household incomes, but it may worry the Bank of England because real wages are rising faster than productivity per worker, which actually fell by 0.6% in the year to Q4 2023.

THEME	KEY INSIGHTS
	<ul style="list-style-type: none"> • Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 6.0% in January to March 2024, and annual growth in total earnings (including bonuses) was 5.7%. • Permanent placements in the Midlands fell at their slowest pace for five months during April, according to the latest KPMG and REC UK Report on Jobs survey. Demand for both permanent and temporary staff grew further in April, and at the fastest paces across the English regions. However, greater demand for permanent employees was met by a slower rise in their availability. • ONS reports payrolled employees in the UK fell by 5,000 between February and March 2024, but rose by 288,000 (+1.0%) between March 2023 and March 2024. The early estimate of payrolled employees for April 2024 decreased by 85,000 (-0.3%) on the month but increased by 129,000 (+0.4%) on the year, to 30.2 million. • Employers across the UK will welcome further signs that the labour market is cooling, but more must be done to ensure they can access the skills they need. The British Chambers of Commerce (BCC) latest survey showed recruitment conditions eased in Q1 with fewer firms facing difficulties hiring. BCC call for more support and investment in workplace training to tackle skills shortages. • A report by the Greater Birmingham Chambers of Commerce highlights that many businesses in Birmingham and the West Midlands are struggling to find employees with essential digital skills. According to the report, 70% of businesses in the area see the digital skills gap as a major obstacle to growth and competitiveness. Moreover, the UK Digital Skills Audit shows that almost 50% of companies in the West Midlands face digital skills shortages within their workforce. • There were an estimated 22,000 working days lost because of labour disputes across the UK in March 2024.

Economy and Business Intelligence – By Sector

SECTOR	KEY INSIGHTS
Manufacturing and Engineering	<ul style="list-style-type: none"> • The Executive Survey 2024, from Make UK in association with PwC, finds that the UK's manufacturers view the country as a more competitive place to operate than they did last year, with an increasing number believing that they are moving ahead of their European rivals. Though they see risks in access to skills, increasing energy and employment costs - and remain wary of economic conditions both at home and abroad - the majority think opportunities will outweigh risks. Over the next 12 months, key areas of focus for manufacturers include investing in new products and upskilling or retaining their people, as well as expanding into new markets, accelerating net zero commitments and investing in digital technologies, such as cloud and artificial intelligence (AI). • UK manufacturers overwhelmingly support devolution, with the majority wanting to see the process across the whole of England better structured in order to deliver its full potential, according to a recent Make UK survey. More than 70% of firms view decision-making at the local level as important to their future success, with over 60% wanting to see a better constructed devolution deal, underpinned by new laws which would pull together existing local authority and devolution legislation into one powerful act. • Skills remain a key priority for manufacturers, with a new report by In-Comm Training revealing that training budgets have not been hit by rising inflation. 61% are planning on taking on an apprentice over the next 12 months.
Retail, Hospitality and Tourism	<ul style="list-style-type: none"> • Retail sales volumes (quantity bought) fell by 2.3% in April 2024, following a fall of 0.2% in March 2024 (revised from 0.0%). Sales volumes fell across most sectors, with clothing retailers, sports equipment, games and toys stores, and furniture stores doing badly as poor weather reduced footfall. More broadly, sales volumes rose by 0.7% in the three months to April 2024 when compared with the previous three months, following a poor December 2023, and fell by 0.8% when compared with the three months to April 2023. The Society of Independent Breweries' UK brewery tracker found that there has been a UK-wide loss of 47 to 1,777 active breweries in April this year. The Midlands lost a net 11 breweries in the last 12 months. • The University of Wolverhampton is offering fully funded places on strategic leadership and management workshops for people working in the Creative Industries sector.
Construction	<ul style="list-style-type: none"> • The Construction Industry Training Board's annual industry forecast has highlighted the need for 250,000 extra construction workers over the next 5 years to keep up with the rising demand, with 35,600 needed in the West Midlands. Furthermore, the UK's construction output rose by 2% in 2023 but declined by 4.5% in the West Midlands. • CITB also report that skills shortages within the sector remain a concern, as for 31% of construction employers, finding skilled workers remains a challenge due to the increasing number of older workers retiring and not being replaced. • Monthly construction output is estimated to have decreased 0.4% in volume terms in March 2024; this came from decreases in both new work (0.7% fall) and repair and maintenance (0.1% fall).

SECTOR	KEY INSIGHTS
Tech / Digital	<ul style="list-style-type: none"> The West Midlands has the fastest growing tech sector in the UK, valued at £15.3bn, according to new research from SuperTech. This comes after the launch of their Research and Innovation Roadmap which could have the potential to create 4,600 regional jobs, adding £1.5bn to the regional economy in ten years.
Transport Technologies and Logistics	<ul style="list-style-type: none"> New data from CBRE reveals take-up in the West Midlands totalled 1.1m sq. ft across five deals in Q1 2024, almost double that seen in Q4 2023. Demand predominantly came from the 3PL sector, with one deal coming from the manufacturing sector. The government's top infrastructure adviser has warned axing the northern leg of High Speed 2 will stunt growth in the UK's biggest regional cities unless alternative rail capacity is built, as it forecast soaring demand on the route over the next two decades. Further warnings from a cross-party group of MPs suggest that the UK government lacks the necessary skills and capacity to deliver on its plans to oversee £805m spending on infrastructure such as HS2. Research from InfluenceMap has revealed most of the world's largest car brands have lobbied against regulations designed to shift manufacturing towards electric vehicles (EVs) in the past year, either directly or through trade bodies. Only one in five of the automakers are planning for EV's to account for 66% of sales or more in 2030. The leaders are Tesla, which already offers a 100% electric portfolio, plus Mercedes and BMW. At the other end of the table, Suzuki is only planning for a 10% electric portfolio by the end of the decade.
Environmental Technologies	<ul style="list-style-type: none"> Every resident of the West Midlands lives in an area exceeding the World Health Organisation's air quality guidelines, and air pollution in the region is causing up to 2,300 premature deaths each year according to new research from the University of Birmingham WM AIR team. The economic benefit of bringing air quality in the WMCA area to WHO health-based levels was also calculated, with a potential £3.2bn of economic benefits over 20 years. A national research hub, designed to support the UK's transition to a circular manufacturing ecosystem, is to be established by the University of Birmingham. The RESCu-M2 hub aims to harness advances in AI and intelligent automation to create a new manufacturing ecosystem that can promote cost-effective circular resource use. A new survey has revealed that nine in ten UK businesses want increased government support to achieve their decarbonisation goals, highlighting rising costs as a major obstacle and calling on the next government to assist with the transition expenses. With the right reforms on the right terms for pension savers, UK pension funds could quadruple their investment in UK climate solutions to up to £1.2trn of their UK asset allocation. This level of investment has the potential to account for half of the gross capital investment in climate solutions required by 2035 for the UK to remain on track with its net-zero transition.

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
Dreams	Oldbury	Manufacturing	A bed and mattress business, which has its factory in the Black Country, has joined The Furniture Makers' Company as a corporate member. Dreams, which employs 2,300, has its factory at Granada Trading Estate, Park Street, Oldbury. The Furniture Makers' Company is the City of London livery company and charity for the furnishing industry.
Lidl	Black Country	Retail	Lidl has announced plans to open hundreds of new stores across the country that will create thousands of new jobs over the next few years. Locations of stores Oldbury and Wednesbury.
Bulls Head pub	Rowley Regis	Retail	The Bulls Head pub on the corner of Dudley Road and St Giles Avenue in Rowley Regis is set to be transformed and re-open as new retail units according to plans submitted to Sandwell Council. The application by Muhammad Abdul Hemin shows the former pub would be split up into four units with extra spaces added to create a bigger 19-space car park.
Openreach	Sandwell	Technology	A further 36 towns and villages will benefit from the ongoing huge broadband upgrade by Openreach. Towns that will get the improved technology include Blackheath, Cradley Heath and Smethwick in Sandwell.

NEW INVESTMENT, DEALS AND OPPORTUNITIES			
COMPANY	LOCATION	SECTOR	DETAIL & SOURCE
Gresham House Devco Pipeline	Wednesbury	Energy	A plan for a six-acre battery farm next to the region's metro headquarters has been submitted by Gresham House Devco Pipeline. The new battery energy storage system would be built on six acres of land next to Wednesbury Asphalt Plant near the Midlands Metro depot at Wednesbury Great Western Street.
KB1 Homes	West Bromwich	Housing	The former Halfway House pub in Old Meeting Street, West Bromwich, will be refashioned and turned into new flats as part of plans by Birmingham-based developer KB1 Homes. The plans include building a two-storey extension and converting the former pub into nine one-bed flats.