

West Midlands Insights on Society and Economy

A monthly newsletter on the trends that matter to the West Midlands.

Issue 5, February 2024

1.0 Headlines

1.1 February Editorial

Welcome to the fifth edition of West Midlands Insights on Society and Economy. In this issue, we take a deep dive into exports in the West Midlands. The most recent data available for the wider West Midlands region in January 2024 shows that total exports of goods and services have recovered strongly: back to where they were before the pandemic closed the infrastructure of trade. These are indications that there has been a bounce back for the ever-important automotive industry for the West Midlands.

But looking at economic data, and comparing change over time, sometimes requires us to stand back a little and take a deeper or wider look. The huge impact of the Covid-19 pandemic and the time lags often involved in collecting economic data make this even more important.

According to the latest WMREDI report (see section 2.2), exports of goods and services from the WMCA fell by one fifth from 2019, when it was the largest exporting region by value, to 2020 and did not recover in 2021. Other regions saw stronger recoveries in that period.

Nationally, service exports are predicted to grow from 25% of all trade currently to 28% by 2035. London's service exports dwarf all other cities – it exports approximately 15 times more than the second largest service exporting city – but they are also growing from the West Midlands, just not as fast as exports of goods. Again, this could be seen as an indication of a weak service economy; but look back to the pandemic period and the drop does not seem so severe. Trade in services was largely able to continue during lockdowns and the impact was much less drastic – a slower recovery is inevitable from a shallower decline. Considered over a longer period, service exports from the West Midlands look robust and healthy, rather than weak.

There remains plenty to do to encourage firms in the West Midlands to export, both goods and services. Global shifts in geopolitics, energy, the movement of people and rapid changes in technology all require careful consideration. Let's hope that despite the longer-term trends, recent strong export performance in the West Midlands gives them a useful foundation to navigate these headwinds.

Dan Carins
Policy Manager (Business), WMCA

1.2 Coming Up in the Month Ahead

- [West Midlands State of the Region 2023-2024 Report to WMCA Board](#) – 9 February
- ['Making Levelling Up Happen: Lessons from Europe' Conference](#) – 23 February
- [ONS: Business enterprise research and development](#) – 27 February
- UK Government budget – 6 March

1.3 National Headlines

- The economy: A long road to recovery but at least we're past the worst of it?
- Local government funding uplift announced
- Centre for Cities releases 2024 Outlook
- Prime Minister appoints Adam Hawksbee as Towns Fund Tsar

[The economy: A long road to recovery but at least we're past the worst of it?](#)

The latest [report](#) of the Monetary Policy Committee projected 0.1% growth in the first quarter of 2024 with continued slow growth over the year ahead. At the same time, inflation is now expected to come down faster than previously expected and hit the Bank of England's target of 2% by the summer. At the meeting in February base rates were maintained at 5.25%, but widespread market expectations are that the Bank now has space to start reducing rates by the summer. Still, there is no belief that we will see a return to the ultra-low rates of the previous decade.

The Chancellor Jeremy Hunt announced that the UK Budget for 2024/5 will be delivered on 6 March. While some market analysts have suggested the Chancellor may have more fiscal headroom than previously thought, [International Monetary Fund](#) and Treasury forecasts suggest prudence is required. Tax cuts are widely rumoured to be top of the Chancellor's agenda in what is likely to be an election year, but the volatile fiscal landscape may pose a challenge to those ambitions. The WMCA has submitted its own representation, outlining what it would like to see in the upcoming fiscal event, including additional support for local councils, funds to tackle youth unemployment, and further monies for culture and the environment.

[Local government funding uplift announced](#)

The UK Government has [announced a package of £600m funding](#) for local authorities, primarily to help fund local social care and aiming to mitigate bankruptcy threats. Despite the boost, councils have warned of further need for service cuts and tax increases. Communities Secretary Michael Gove urged councils to cut wasteful spending. While some welcome the aid, it falls short of addressing long-term challenges like social care. Calls for financial reform persist amid rising costs and demands.

[Centre for Cities releases 2024 Outlook](#)

[Cities Outlook 2024](#) assesses UK cities' economic performance since 2010, noting job growth but poor productivity and worsening housing affordability. Disposable income has declined due to sluggish growth, particularly impacting cities like Burnley, Cambridge, and Milton Keynes. While overall improvement is observed, the UK economy would be £88bn larger if pre-2010 trends had continued. The report highlights the widening north-south divide and recommends post-election focus on place-based policies, including driving forward continued devolution to meet the needs of local communities and help level up the country.

[Prime Minister appoints Adam Hawksbee as Towns Fund Tsar](#)

Former WMCA Head of Policy [Adam Hawksbee has been appointed](#) "towns tsar" to oversee the £1.1bn plan for 55 towns' regeneration, addressing issues like high streets, heritage, and anti-social behaviour. Each town will receive £20m over 10 years, with a "light touch" assurance from the Department for Levelling Up. Hawksbee will report to Michael Gove, focusing on community-led change.

1.4 Regional Headlines

- Regional and national labour market continues to cool
- Over half of people in the West Midlands to cut back on spending in 2024 – KPMG
- Winners announced and further call for applications to the Industrial Energy Transformation Fund
- Passing of West Midlands' Chief Fire Officer

Regional and national labour market continues to cool

The regional and national labour market is continuing to gradually cool. The number of advertised vacancies has continued to fall both [regionally](#) and [nationally](#) while remaining above pre-pandemic levels. At the same time, unemployment has moderately increased over the same period (WM: +0.4pp, UK: +0.3pp). Youth unemployment in the WMCA area remains an ongoing concern, with the youth claimant rate rising 1.5% since last month.

The Office for National Statistics (ONS) released experimental adjusted [Labour Market data](#) for the West Midlands region covering the period September to November 2023, estimating that:

- the regional employment rate was 75.2%, unchanged since the previous month. The survey-based estimate is up 0.1pp on the quarter and up 0.7pp on the year.
- the regional unemployment rate was 5.1%, unchanged since the previous month. The estimate is down 0.1pp the quarter and up 0.8pp on the year.
- The regional economic inactivity rate was 20.6%, unchanged since the previous month. The estimate is down 0.1pp on the quarter and down 1.4pp on the year.

Over half of people in the West Midlands to cut back on spending in 2024 – KPMG

58% of consumers in the West Midlands plan to cut back on non-essential spending in 2024, with [KPMG's Consumer Pulse survey](#) revealing financial insecurity outweighs confidence by nearly two to one. Survey respondents expected to reduce non-essential spending by prioritizing cuts in eating out, takeaways, and clothing. Price, quality, and convenience are key considerations, leading consumers to favour own brands, discounted items, and loyalty schemes.

Winners announced and further call for applications to the Industrial Energy Transformation Fund

The Industrial Energy Transformation Fund is a multi-million-pound funding package that aims to help UK businesses reduce emissions and energy costs. [Minister Lord Callanan announced](#) 12 winners of the Local Industrial Decarbonisation Plan competition, each receiving up to £6 million to develop low-carbon strategies. Winners included Decarbonising the Midlands Aerospace Cluster (DMAC), who will work with key players in the region's aerospace supply chain, identifying manufacturing processes that contribute to greenhouse gas emissions and potential solutions. An additional £185 million will open up opportunities for sectors like manufacturing, recycling, and controlled environment horticulture to transition to cleaner energy, supporting the UK's net zero goals and creating green jobs. Find more information and [apply here](#).

Passing of West Midlands' Chief Fire Officer

The Chief Fire Officer for the West Midlands Wayne Brown was [found dead in his home in January](#). Mr Brown was a well-known and respected figure in the region and had worked with the WMCA in its duties on the Local Resilience Forum and in the run up to, and over the Commonwealth Games. In his work with the WMCA and TfWM, he was dedicated to working together to make the region a better place. A book of condolences is available on the West Midlands Fire Service website at <https://www.wmfs.net/remembrance/wayne-brown/>.