

# West Midlands monthly economic update report

April 2009

## National Headlines:

- Preliminary estimates are that the UK's GDP contracted by 1.9% in Quarter 1 2009, following on from contractions of 0.7% and 1.6% in the previous two quarters. Manufacturing output decreased by 6.2% and the service sector by 1.2%.
- The IMF forecasts that the UK economy will contract by 4.1% in 2009 and by 0.4% in 2010. The Government's Budget forecasts a contraction of 3.5% in 2009 but positive growth of 1.25% in 2010.
- Businesses' productivity has declined as a result of the downturn, with output per job decreasing by 4.1% in manufacturing and by 0.8% in the service sector in Quarter 4 2008 compared with a year earlier.
- UK unemployment reached 2.10 million in the three months to February 2009, up 177,000 on the previous three months. The national unemployment rate now stands at 6.7%.
- The national claimant count increased by 73,700 between February and March to reach 1.46 million.
- In the three months to March 2009 the UK had 68,000 fewer notified vacancies than the previous quarter, with the greatest reductions in 'distribution, hotels and restaurants' and 'finance and business services'.
- The Consumer Price Index (CPI) showed annual inflation to be 2.9% in the year to February, down from 3.2% in February. The Retail Price Index fell to -0.4% in the year to March 2009.
- The Royal Institute of Chartered Surveyors (RICS) report that house buyer enquiries have now increased for five consecutive months, with growing evidence that this is starting to feed through into sales.

## Regional Headlines:

- March's Purchasing Managers Index (PMI) reported that West Midlands businesses continue to see falling business activity, with the volume of new orders declining for the 17<sup>th</sup> month running. The pace of contraction has eased since February but remains faster than the UK average.
- The PMI shows that the West Midlands has seen steepest falls in business output of the English regions over the last three months with contractions particularly steep in the manufacturing sector.
- The West Midlands has also seen the sharpest job shedding of any of the UK regions over the past quarter.
- Regional unemployment reached 223,000 in the three months to February 2009, up 36,000 on the previous quarter. The increase in the West Midlands represents 20% of the increase seen nationally.
- The region's unemployment rate is now 8.4%, up 2.4 percentage points on the same point last year. This is now the highest of the UK regions.
- The region's claimant count rose by 7,300 between February and March 2009 to 167,000. The greatest increase in absolute claimant numbers were seen in Birmingham (1,637) and Staffordshire (831). Tamworth saw the largest percentage point increase in its claimant proportion (+0.5).
- Between January and March 2009 the region saw 21,447 notified redundancies. The number of notified vacancies in the region fell from 30,238 in February to 22,263 in March, 39% lower than in March 2008.
- West Midlands businesses report having seen a sharper drop in input prices than the UK average, largely as a result of falling commodity prices.

## UK Overview – Output / Business Activity

Preliminary estimates show that the UK's GDP contracted by 1.9% in Quarter 1 (Q1) of 2009 compared with the previous quarter. This follows two quarters of negative growth in the second half of 2008 (-0.7% and -1.6% respectively). In the **Budget 2009**, Government forecasts that the UK economy will contract by 3.5% in 2009 (decreasing by 1.6% in Q2) before returning to growth of 1.25% in 2010 and annual growth of 3.5% from 2011.

The IMF published its latest **World Economic Forecasts** in April 2009 warning that the recession will be unusually long and severe. They forecast that the global economy will contract by 1.3% in 2009 before returning to growth of 1.9% in 2010. However forecasts for advanced economies are less positive, with growth forecast to be -3.8% and 0% for 2009 and 2010 respectively. The IMF forecasts that the UK will see a contraction of 4.1% in 2009 (slightly less than the Euro Area average of -4.2%) and of 0.4% in 2010. In March the OECD forecast that the UK will see quarter-on-quarter negative growth until Q2 2010, with GDP decreasing by 3.7% in 2009, followed by a fall of 0.2% in 2010.

Estimates for Quarter 4 2008 show that the downturn has affected businesses' **productivity**. In Q4 2008, output per worker fell by 1.5% on the previous quarter and 1.8% compared with the same period in 2007 (down from +0.1% growth reported for Q3). In terms of output per hour worked Q4 saw a decline of 1.7% compared with a year earlier. This deterioration in productivity reflects the fact that the contraction in output in the year to Q4 2008 (-2.0%) exceeded the contraction in employment (-0.1%) and hours worked (-0.3%). The fall in productivity was particularly sharp in the manufacturing sector, where there was a 4.1% decline in output per job compared with a year earlier. By contrast the service sector saw a 0.8% decrease in output per job. It is anticipated that the fall in productivity will slow in future months as the gap between falling output and falling employment and hours worked closes.

**Manufacturing** – estimates for Q1 2009 state that manufacturing output contracted by 6.2%, following contractions of 4.9% and 1.9% in the previous two quarters. The CIPS / Markit Purchasing Managers Index (PMI) for March 2009 reports that overall conditions in the sector remain weak. However the Index reported its highest reading since October 2008, with the rates at which production, total order books and new export orders have declined - and job-shedding increased - slower than in February.

**Automotive manufacturing** – The UK's Society of Motor Manufacturers and Traders (SMMT) reports that total vehicle production in March was less than half of that a year earlier, with Q1 production down 57% on the same period in 2008. For the last five years March has seen the greatest volume of car registrations due to the registration plate change. However the SMMT states that car registrations in March 2009 were 30.5% lower than 2008 and 4.9% lower than expected. A number of European countries have seen a reversal of this trend since February after introducing 'scrappage' schemes to incentivise demand. The UK introduced a scrappage scheme in the Budget 2009.

**Services** – it is provisionally estimated that service sector output fell by 1.2% in Q1 2009 following falls of 0.8% and 0.5% in Q3 and Q4 2008. Within the service sector 'transport, storage and communication' saw a contraction of 2.9% whilst 'business services and finance' output fell by 1.8%. The March 2009 CIPS / Markit PMI reports a contraction in service sector business activity for the eleventh month running. However the pace of decline in activity and new orders was its slowest for six months, although still steep compared to historic trends. Businesses stated that declines in new orders were driving down activity, reflecting customers' unwillingness to commit to new contracts.

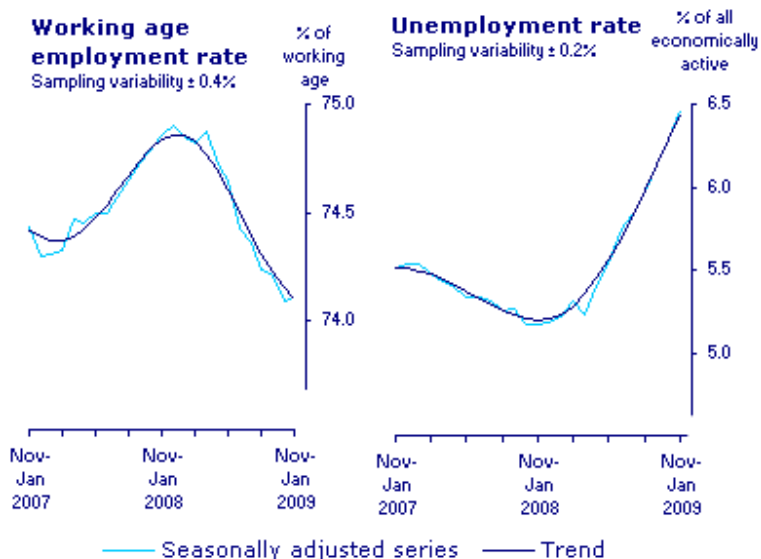
**Construction** – construction sector output is provisionally estimated to have fallen by 2.4% in Q1 2009, a smaller contraction than in Q4 2008 (-4.9%). The March 2009 CIPS / Markit PMI reported a slight improvement on February but continues to reflect a rapid decline in business activity, especially in housing and commercial sub-sectors. Lower workloads resulted in the fastest job-shedding in the survey's history, with falls in both employees and sub-contractors.

**Retail** – the British Retail Consortium (BRC) reports that like-for-like retail sales between January and March 2009 were 0.3% less than the same period in 2008. A 4.7% growth in like-for-like food sales masks a contraction of 4.3% in non-food sales.

## UK Overview – Labour Market

There were 29.27m employed people in the UK in the three months to February 2009, 126,000 fewer than the previous three months and 227,000 less than the same period a year ago. The working age employment rate fell to 73.8%, down 0.4 percentage points on the previous quarter and 1.1 percentage points over the year.

Nationally the number of unemployed people totaled 2.10m in the three months to February, up 177,000 on the previous period and 486,000 higher than the same period the year before. The unemployment rate increased by 0.6 percentage points over the quarter and 1.5 percentage points over the year to total 6.7%. March's Claimant Count reached 1.46m, up 73,700 on February's total and 672,100 higher than March 2008. The national claimant count rate is now 4.5%, its highest since September 1997.



Source: ONS, Labour Market Statistics, April 2009

In the three months to February 2009, the number of people in full-time employment fell by 81,000 compared with the three months to November 2008. The number of men employed full-time fell by 94,000 over the quarter whilst the number of women in full-time employment rose by 12,000.

The number of economically active people in the UK was 51,000 higher in the three months to February 2009 than the previous quarter. Totalling 31.4m, this is 259,000 higher than a year earlier. The number of economically inactive people fell by 5,000 in the three months to February and is down 9,000 on the previous year. The economic inactivity rate now stands at 20.7%, unchanged on the previous quarter and 0.1 percentage points lower than a year ago.

### UK Labour Market Statistics

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Dec – Feb 09	29,267	-126	-227	73.8	-0.4	-1.1
Unemployment**	Dec – Feb 09	2,100	+177	+486	6.7	+0.6	+1.5
Economically active*	Dec – Feb 09	31,367	+51	+259	79.3	0.0	+0.1
Economically inactive***	Dec – Feb 09	7,851	-5	-9	20.7	0.0	-0.1
Claimant count <sup>+</sup>	Mar 09	1,464.1	+73.7	+672.1	4.5	+0.2	+2.1

\*Levels are for those aged 16 and over; rates for those of working age (16 – 59/64)

\*\* Levels and rates are for those aged 16 and over; rate is a proportion of economically active

\*\*\* Levels and rates are for those of working age

+ Claimant count levels are the number of JSA claimants; the claimant rate is the number of claimants as a percentage of claimants plus the number of workforce jobs

Source: ONS, Labour Market Statistics, April 2009

The Labour Force Survey for the three months to February 2009 reports 270,000 people were made redundant in the previous three months, the highest since records began. This is 45,000 higher than the three months to November 2008 and 162,000 higher than a year ago. The redundancy rate for the three months to February was 10.6 per 1,000 employees. This was 1.8 higher than for the previous quarter and 6.4 higher than a year earlier.

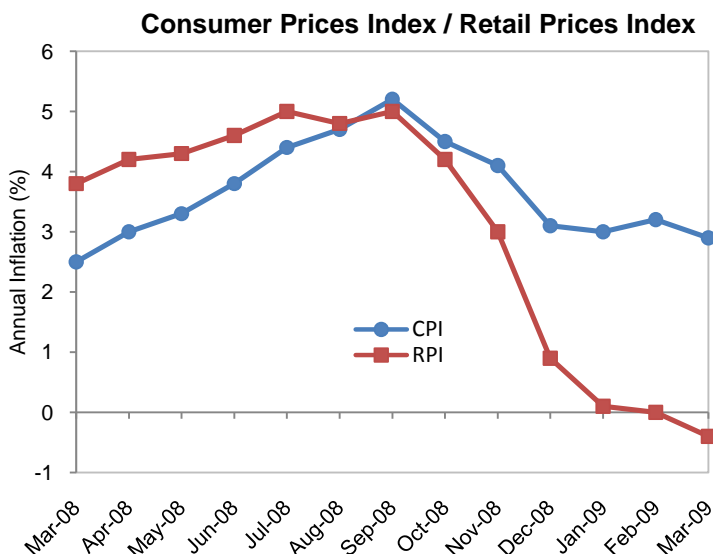
Nationally there were 462,000 notified vacancies in the three months to March 2009. This is 68,000 fewer than for the previous three months and 230,000 less than the same period last year. The largest falls in vacancies have been seen in the distribution, hotels and restaurants sector (down 26,000) and finance and business services (down 19,000).

## UK Overview – Inflation

The Government uses the Consumer Prices Index (CPI) to monitor annual inflation. Its current target for the CPI is 2%.

In the year to March 2009 the CPI rose by 2.9% (down from 3.2% in February). For the same period, the Retail Price Index (RPI) was -0.4%, down from 0% in February.

The largest downward pressures continue to come from housing and household services. There were also downward pressures from food and non-alcoholic beverages and transport costs. The largest upward pressures came from recreation and culture and clothing and footwear where prices rose more than a year ago.



Source: Office of National Statistics, April 2009

In the Budget 2009 the Government forecasts CPI inflation to continue to fall through 2009, falling below target by the end of year and during 2010, before returning close to target in 2011. RPI is expected to continue to fall due to pressures resulting from housing depreciation and falling mortgage interest payments. It is forecast to drop to -3% by September 2009, before moving back to 0% in 2010.

The Producer Price Indices (PPI) monitor the price changes of goods bought and sold by UK manufacturers, with input prices being the prices of materials and fuels bought by UK manufacturers and output prices the prices at which their goods are sold to home markets.

### Producer Price Indices

Date	Percentage Change			
	Input Prices (material and fuels purchased - not seasonally adjusted)		Output Prices (all manufactured products - not seasonally adjusted)	
	12 months	1 month	12 months	1 month
October 2008	16.0	-3.9	6.7	-1.0
November 2008	8.1	-3.3	5.0	-0.9
December 2008	3.3	-2.5	4.6	0.0
January 2009	1.7	1.1	3.5	0.1
February 2009	1.0	0.9	3.0	0.0
March 2009	-0.4	1.0	2.0	0.1

Source: National Statistics, Producer Prices Index, April 2009

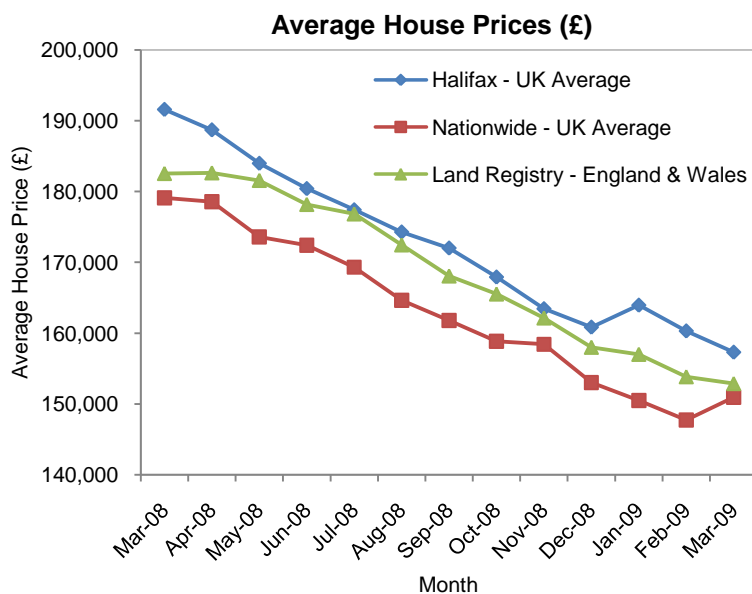
Input prices for the materials and fuels purchased by UK manufacturers saw annual inflation of -0.4% in the year to March 2009, down from the 1.0% reported for February. However annual inflation was 7.4% when volatile sectors (food, beverages, tobacco and petroleum) were excluded. The rising costs of crude oil drove input costs to rise by 1% between February and March 2009. Prices for imported materials rose by 1.4% over the month.

In terms of the output prices of manufactured products for home sales, annual inflation in the year to March 2009 was 2.0%, down from 3.0% in February 2009. Excluding volatile industries, annual output price annual inflation was 3.3%. Output prices rose by 0.1% between February and March 2009, largely reflecting rising transport equipment costs which were partially offset by falling petroleum product costs.

## UK Overview – Housing, Property & Regeneration

The Land Registry reports that average house prices were 0.4% in March 2009 than the previous month and 16.2% than a year ago. The Halifax reports that average house prices fell by 1.9% in March 2009, but the Nationwide states that prices rose by 0.9%. Over the last twelve months the Halifax and Nationwide reports that prices have fallen by 17.5% and 15.7% respectively.

The Halifax notes that whilst prices have fallen by 2.7% over Quarter 1 2009, the pace of this decline has slowed from the drops of 5-6% seen over each of the last three quarters. The Nationwide reports a 4.2% drop over Quarter 1 2009. According to the Halifax the house price to earnings ratio is now 4.34, its lowest for over six years.



The Royal Institute of Chartered Surveyors (RICS) reports that new buyer enquires rose again in March (the fifth month-on-month increase). There is growing evidence that enquiries are feeding through into sales, with this month seeing an increase in newly agreed sales. The improvement in activity is likely to reflect the return of buyers who have delayed a house purchase through the worst of the financial downturn in late 2008. However the British Bankers Association reports that the number of mortgage approvals for house purchases fell slightly in March, totaling 26,097 compared to 28,024 in February. March's total is 25% lower than March 2008.

### New Construction Orders in Great Britain

	Volume of Orders: Seasonally adjusted; Constant (2005) prices (£m)						
	Public Housing <sup>1</sup>	Private Housing <sup>1</sup>	Infrastructure	Public (excl. infra.)	Private Industrial	Private Commercial	All New Work
Sept 08	160	487	254	703	122	1265	2991
Oct 08	231	388	354	507	209	1037	2728
Nov 08	143	400	199	852	135	707	2437
Dec 08	94	518	966	657	168	742	3144
Jan 09 <sup>P</sup>	107	418	617	393	55	603	2194
Feb 09 <sup>P</sup>	123	338	425	512	112	590	2100

<sup>1</sup> Excludes orders for home improvement work; <sup>P</sup> Provisional figures

Source: New Orders in the Construction Industry, April 2009 (Office of National Statistics)

The three months to February 2009 saw the total of new construction orders fall by 9% compared with the previous quarter and by 34% lower compared with the same period a year earlier. Private sector housing orders for the three months to February matched those seen in the previous quarter, but remain 51% lower than the same period a year before. New public and housing association housing orders saw a 39% fall on the previous quarter and a 46% fall on a year ago. Private commercial and industrial orders continued to fall in the three months to February, down 36% and 28% respectively on the previous quarter and 46% and 54% compared with the same three months last year. New infrastructure orders rose by 149% in the three months to February 2009, compared with the previous quarter, and were 11% higher than the same period a year earlier.

# UK Overview – Confidence & Investment

## Consumers

The Nationwide's Consumer Confidence Index fell slightly in March 2009, dropping to 41 points from 43 in February. Those questioned were slightly more positive about the current economic situation, with 83% thinking it is bad compared to the 86% reported in February. However people were more pessimistic about the labour market, with 66% thinking there are currently few jobs available, compared to 64% a month earlier.

A growing proportion (58%) of those questioned feel that the economic situation will be no worse in six months' time, whilst 65% of those questioned thought that there would be few jobs available in six months' time.

In terms of the Nationwide's Spending Index, the number of people who thought that now is a good time to make a major purchase (i.e. a house or a car) remained constant at 38%. Consumers continue to expect house prices to fall over the next six months, but the scale of this expected decrease has moderated, dropping to 3% compared to the 4.7% they expected in February's survey.

## Business

The Bank of England reports that many companies have seen a reduction in their average per capita labour costs compared to last year as a result of reduced average working hours (including overtime) and lower bonuses and pay settlements. Nevertheless, beyond investment to meet regulatory requirements or enable 'quick wins', businesses' investment intentions remain weak due to low levels of demand and uncertain future prospects.

Credit conditions remain an issue for businesses, with many concerned about the availability of working capital. This has reinforced their unwillingness to draw on cash balances to fund investment plans. The Bank of England's agents report that there has been little change in businesses' views on the availability and cost of bank finance. For many the cost of borrowing had not fallen in line with the reduced Bank Rate and fees had increased when agreements came up for review.

The Forum of Private Business (FPB) has undertaken six panel surveys of VAT-registered businesses that require external finance since November 2008. For the first time their April survey has seen a positive balance (albeit small) in the proportion of businesses reporting that they have seen an improvement over the last month in the markets for their products or services.

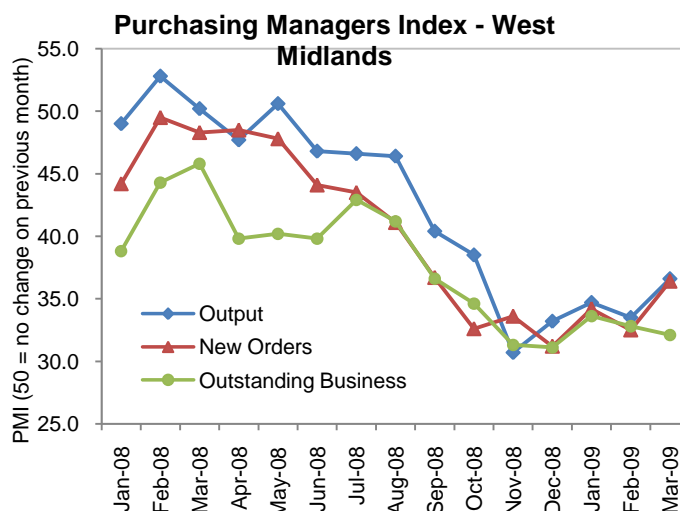
Nevertheless responding businesses continue to report finance-related difficulties. The April survey shows that late or slow payments and cashflow were identified as key concerns by 24% of businesses. 8% of businesses identified the cost of finance / bank rates as a key issue for their business.

Whilst the survey reported that a higher proportion of businesses thought that access to finance had improved over the previous month (up from 0% last month), 19% thought that access to finance had deteriorated over the month. Businesses continue to cite difficulties they have experienced, including reductions in overdrafts; withdrawal of finance facilities; and refusals of loan extensions. 20% of responding businesses said they had seen an increase in their banking fees over the last six months. This was down from 24% recorded in March.

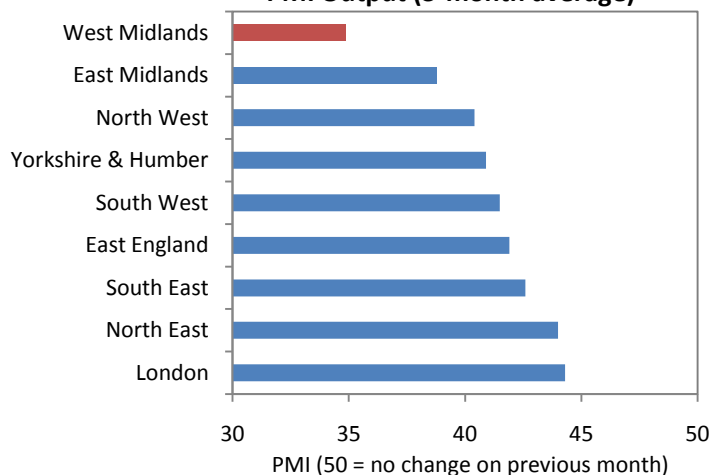
## West Midlands Overview – Output / Business Activity

Produced for the Royal Bank of Scotland by Markit Economics, the Purchasing Managers Index (PMI) surveys businesses from the manufacturing and service sectors to track a series of variables<sup>1</sup>. The Index gives the earliest indication of business conditions each month.

The PMI shows that the output of businesses in the West Midlands continued to fall in March and the volume of new business orders fell for the 17<sup>th</sup> consecutive month. Whilst the pace of these contractions slowed in March compared to February, they remain far faster than the UK average. The fall in output has been sharpest amongst manufacturing businesses.



### PMI Output (3-month average)



Source: PMI West Midlands, RBS / Markit Economics, April 2009

Over both the month and the last three months, the West Midlands has been the worst performing of the English regions in terms of businesses' output and second only to Northern Ireland amongst the UK regions.

Many firms reported that orders have been postponed or cancelled due to poor economic conditions and difficulties in obtaining necessary financing, particularly in the housing and automotive sectors.

### Purchasing Managers Index (PMI)

Month	Seasonally Adjusted Index: 50 = no change on previous month					
	Output / Business Activity		New Orders		Business Outstanding	
	West Midlands	UK	West Midlands	UK	West Midlands	UK
November 2008	30.7	38.0	33.6	35.8	31.3	35.4
December 2008	33.2	38.7	31.2	36.4	31.1	35.6
January 2009	34.7	40.6	34.2	39.2	33.6	36.7
February 2009	33.5	40.1	32.5	40.1	32.8	36.3
March 2009	36.6	44.1	36.4	42.7	32.1	38.1

Source: PMI West Midlands, April 2009 (RBS / Markit Economics)

In a poll completed by the Federation of Small Businesses (FSB) in April 2009, 48% of respondents from the West Midlands said their trade levels had decreased over the last two months (compared to 46% nationally). This was an improvement on previous months; in January 57% of participants said this was the case and in November 64%. 23% of respondents said their trade has increased over the last two months. This matched the national average and was an improvement on surveys last January and November.

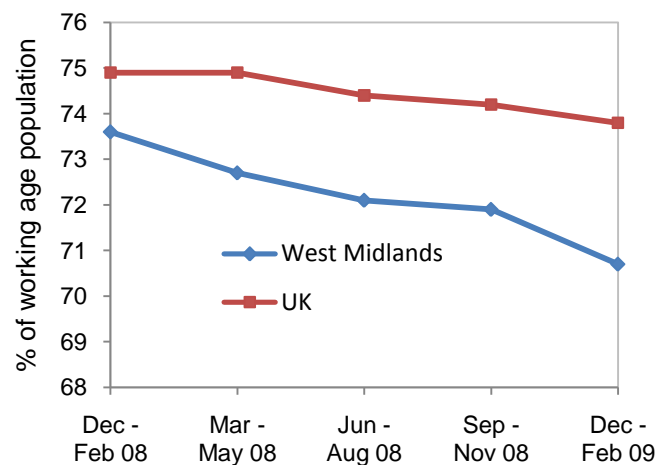
<sup>1</sup> The Index tracks output, new orders, employment and prices. An Index reading of 50.0 indicates no change on the previous month; readings above 50.0 signal an increase in activity and readings below 50.0 signal a decrease in activity on the previous month.

## West Midlands Overview – Labour Market

In the three months to February 2009 the West Midlands saw its number of employed people fall to 2.45m. This was 35,000 fewer than the previous quarter and down 85,000 on the same period last year. The region's employment rate now stands at 70.7%, 1.1 percentage points below the preceding three months and 2.8 percentage points lower than a year previously.

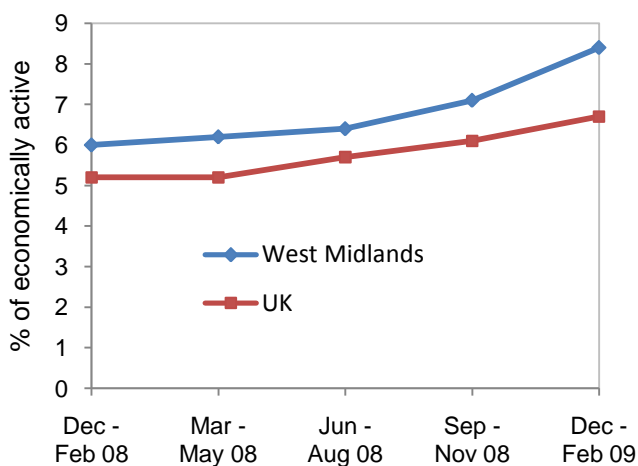
The number of economically inactive people rose in the three months to February 2009, up 1,000 on the previous quarter and by 33,000 on the same period last year. The region's economic inactivity rate is now 22.5%, up 1.0 percentage point on a year previously.

**Employment Rate (Seasonally Adjusted)**



Source: ONS, Labour Market Statistics, April 2009

**Unemployment Rate (Seasonally Adjusted)**



Source: ONS, Labour Market Statistics, April 2009

The number of unemployed people in the region rose to a total of 223,000 for the three months to February. This is 36,000 higher than the previous quarter and 62,000 higher than a year ago. The region's increase over the quarter makes up 20% of the UK's increase. The region's unemployment rate has now reached 8.4%, the highest of the UK regions. This is 1.4 percentage points higher than the previous three months and 2.4 percentage points up over the year.

The region's claimant count increased by 7,300 people between February and March 2009. The total claimant count for the region is now 167,400 people, 72,800 higher than March 2008. The region's claimant count rate has reached 6.1%, up 0.3 percentage points over the month and 2.6 points over the year.

### West Midlands Labour Market Statistics

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Dec – Feb 09	2,427	-35	-85	70.7	-1.1	-2.8
Unemployment**	Dec – Feb 09	223	+36	+62	8.4	+1.4	+2.4
Economically active*	Dec – Feb 09	2,650	+1	-23	77.5	0.0	-1.0
Economically inactive***	Dec – Feb 09	735	+1	+33	22.5	0.0	+1.0
Claimant count <sup>+</sup>	Mar 09	167.4	+7.3	+72.8	6.1	+0.3	+2.6

\*Levels are for those aged 16 and over; rates for those of working age (16 – 59/64)

\*\* Levels and rates are for those aged 16 and over; rate is a proportion of economically active

\*\*\* Levels and rates are for those of working age

+ Claimant count levels are the number of JSA claimant; the rate is the number of claimants as a percentage of claimants plus the number of workforce jobs

Source: ONS, Labour Market Statistics, April 2009

March's PMI shows that the West Midlands has seen the sharpest job shedding of all of the UK regions over both the previous month and the last three months. In March around 31% of the survey's participants said they had released

## West Midlands Overview – Labour Market

personnel since the previous month. Jobcentre Plus reports that between January and March 2009 the region saw 21,447 redundancies. 23% of these were made in the Black Country; 21% in Birmingham and Solihull; 20% in Coventry and Warwickshire; and 18% in both the Marches and Staffordshire.

Reflecting the picture nationally, the number of notified vacancies recorded by Jobcentre Plus fell in March to 22,263 (down from 30,238 in February 2009). March's figures are 39% lower than the number of notified vacancies in March 2008. Of current notified vacancies, 55% are within the banking, finance and insurance sector, 22% in public administration, education & health, and 13% are in distribution, hotels and restaurants. The West Midlands has seen a sharper drop in notified vacancies than the English average, dropping 26% between February and March (compared to 24% nationally) and 39% over the year (compared to 35% nationally)

### Sub-Regional Picture

With the exception of Staffordshire Moorlands district all of the region's local authority areas saw a further increase in their claimant count levels and rates between February and March 2009. By contrast there were 37 fewer claimants in Staffordshire Moorlands, lowering the district's claimant count proportion by 0.1 percentage points.

Of the upper tier authorities, the greatest increases in claimant levels were seen in Birmingham (1,637) and Staffordshire (831). The greatest increases in claimant count proportions were seen in Telford and Wrekin, Coventry and Wolverhampton, which all saw a 0.3 percentage point increase over the month. Of the lower-tier authorities the greatest increases in claimant levels were in Tamworth (207), East Staffordshire (156) and Warwick (154). Tamworth also saw the greatest increase in its claimant count proportion (up 0.5 percentage points), followed by East Staffordshire (0.3 percentage points up).

Looking at change over the last year the greatest increases in claimant count proportion have been seen in Cannock Chase (up 3.5 percentage points), Tamworth (up 3.3) and Redditch (up 3.3). Whilst the largest increases in absolute numbers of claimants have been seen in urban districts, many of the region's rural districts have seen a high percentage increase in their claimant levels. Cannock Chase's claimant count level increased by 178% between March 2008 and March 2009, compared to Birmingham's increasing by 42%.

Of the West Midlands' 59 parliamentary constituencies, the ten highest claimant count levels and proportions are:

Parliamentary Constituency	Claimant Count Proportion	Parliamentary Constituency	Claimant Count Level
Birmingham, Ladywood	11.0	Birmingham, Ladywood	8,286
Birmingham, Hodge Hill	10.0	Birmingham, Sparkbrook & Small Heath	6,751
Birmingham, Sparkbrook & Small Heath	9.3	Birmingham, Erdington	5,096
Birmingham, Erdington	9.0	Birmingham, Perry Barr	4,652
Wolverhampton South East	8.5	Birmingham, Hodge Hill	4,582
Birmingham, Yardley	8.3	Coventry North East	4,198
Walsall North	7.7	West Bromwich West	4,142
Wolverhampton North East	7.6	Walsall North	4,124
Walsall South	7.5	Walsall South	3,824
West Bromwich West	7.5	Wolverhampton North East	3,671

Source: NOMIS, Claimant Count, April 2009 – Figures are non-seasonally adjusted

The following wards have the highest claimant count proportions (non-seasonally adjusted) in the region:

- Aston, Birmingham (13.3%)
- Sparkbrook, Birmingham (11.8%)
- St. Matthews, Walsall (11.7%)
- Washwood Heath, Birmingham (11.4%)
- Handsworth (10.9%)
- Ladywood, Birmingham (10.8%)
- Heath Town, Wolverhampton (10.7%)
- Chelmsley Wood, Solihull (10.6%)

## West Midlands Overview – Labour Market

### Local Authority Claimant Count Levels and Proportions<sup>2</sup> (non-seasonally adjusted)

	March 2009		Change on Month		Change on Year		
	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Percentage Rise in Claimant Level
<b>Regional</b>	<b>173,067</b>	<b>5.3</b>	<b>6619</b>	<b>0.2</b>	<b>73,944</b>	<b>2.3</b>	<b>75%</b>
<b>Herefordshire</b>	<b>3,077</b>	<b>3.0</b>	<b>120</b>	<b>0.1</b>	<b>1,562</b>	<b>1.5</b>	<b>103%</b>
<b>Stoke-on-Trent</b>	<b>8,901</b>	<b>6.0</b>	<b>143</b>	<b>0.1</b>	<b>3,886</b>	<b>2.6</b>	<b>77%</b>
<b>Telford and Wrekin</b>	<b>4,843</b>	<b>4.8</b>	<b>314</b>	<b>0.3</b>	<b>2,674</b>	<b>2.6</b>	<b>123%</b>
<b>Shropshire</b>	<b>5,122</b>	<b>3.0</b>	<b>242</b>	<b>0.1</b>	<b>2,708</b>	<b>1.6</b>	<b>112%</b>
Bridgnorth	871	2.8	48	0.1	484	1.6	125%
North Shropshire	1,048	3.0	43	0.2	499	1.4	91%
Oswestry	890	3.7	19	0.1	444	1.9	100%
Shrewsbury and Atcham	1,747	3.1	106	0.2	979	1.7	127%
South Shropshire	566	2.4	26	0.1	302	1.3	114%
<b>Staffordshire</b>	<b>19,871</b>	<b>3.9</b>	<b>831</b>	<b>0.1</b>	<b>11,706</b>	<b>2.3</b>	<b>143%</b>
Cannock Chase	3,278	5.5	111	0.2	2,099	3.5	178%
East Staffordshire	2,756	4.2	156	0.3	1,753	2.7	175%
Lichfield	2,124	3.6	131	0.2	1,355	2.3	176%
Newcastle-under-Lyme	3,060	3.9	109	0.1	1,601	2.1	110%
South Staffordshire	2,144	3.4	93	0.2	1,089	1.7	103%
Stafford	2,307	3.1	61	0.1	1,232	1.6	115%
Staffordshire Moorlands	1,653	2.9	-37	-0.1	982	1.7	146%
Tamworth	2,549	5.3	207	0.5	1,595	3.3	167%
<b>Warwickshire</b>	<b>11,725</b>	<b>3.6</b>	<b>515</b>	<b>0.1</b>	<b>6,010</b>	<b>1.9</b>	<b>105%</b>
North Warwickshire	1,542	4.0	42	0.1	944	2.5	158%
Nuneaton and Bedworth	3,740	5.0	108	0.1	1,828	2.5	96%
Rugby	2,138	3.9	120	0.2	1,029	1.9	93%
Stratford-on-Avon	1,698	2.5	91	0.2	968	1.4	133%
Warwick	2,607	3.0	154	0.1	1,241	1.4	91%
<b>Birmingham</b>	<b>47,294</b>	<b>7.5</b>	<b>1637</b>	<b>0.2</b>	<b>14,014</b>	<b>2.2</b>	<b>42%</b>
<b>Coventry</b>	<b>10,596</b>	<b>5.5</b>	<b>477</b>	<b>0.3</b>	<b>3,800</b>	<b>2.0</b>	<b>56%</b>
<b>Dudley</b>	<b>9,971</b>	<b>5.4</b>	<b>436</b>	<b>0.2</b>	<b>4,491</b>	<b>2.4</b>	<b>82%</b>
<b>Sandwell</b>	<b>12,311</b>	<b>7.0</b>	<b>481</b>	<b>0.2</b>	<b>5,090</b>	<b>2.9</b>	<b>70%</b>
<b>Solihull</b>	<b>5,126</b>	<b>4.2</b>	<b>278</b>	<b>0.2</b>	<b>2,619</b>	<b>2.2</b>	<b>104%</b>
<b>Walsall</b>	<b>10,399</b>	<b>6.9</b>	<b>352</b>	<b>0.2</b>	<b>4,743</b>	<b>3.2</b>	<b>84%</b>
<b>Wolverhampton</b>	<b>10,636</b>	<b>7.4</b>	<b>388</b>	<b>0.3</b>	<b>3,258</b>	<b>2.3</b>	<b>44%</b>
<b>Worcestershire</b>	<b>13,195</b>	<b>3.9</b>	<b>405</b>	<b>0.1</b>	<b>7,383</b>	<b>2.2</b>	<b>127%</b>
Bromsgrove	2,003	3.6	116	0.2	1,060	1.9	112%
Malvern Hills	1,010	2.4	17	0.0	564	1.4	126%
Redditch	2,762	5.4	49	0.1	1,668	3.3	152%
Worcester	2,521	4.2	115	0.2	1,231	2.1	95%
Wychavon	2,313	3.3	87	0.1	1,390	2.0	151%
Wyre Forest	2,586	4.4	21	0.1	1,470	2.5	132%

Source: ONS, Labour Market Statistics, April 2009

<sup>2</sup> Claimant Proportion – number of claimants resident in an area as a percentage of the working-age population resident in that area. A resident-based measure.

# West Midlands Overview – Labour Market

## Regional Employment Monitoring

### Manufacturing

- **Polester** a packaging firm is set to close its Newspac facility in Pershore with the loss of 78 jobs
- **Bacol Fine Blanking Ltd** in Bromsgrove has announced it will be closing –50 jobs will be lost.
- **Wedgwood** has been sold to New York firm KPS Capital Partners, prompting fears that there may be more job losses on the way.
- **Siemens**, based in Congleton, announced that up to 70 jobs are to be cut.
- **Freeman and Proctor** tube and pipe manufacturers in Nuneaton have announced 110 job losses
- **Steelite International** a pottery maker has announced that 79 jobs will be lost from its Middleport factory
- 60 jobs will be lost at **Ductile Wesson** Steel Works at the end of the month, 150 will be lost in total by the end of the year.
- **Royal Worcester and Spode** has been bought by Portmeirion; 80 manufacturing and 38 factory jobs will be lost.

### Automotive Manufacturing

- The latest round of consultation is over at **JCB**. Of the 394 jobs that were under threat, 165 jobs will be cut with the future of the other 229 employees expected to be announced in a month's time.
- **Perkins Engines** has announced the loss of 78 temporary jobs from its facility in Stafford.
- **LDV** has announced that it will enter into administration on 6<sup>th</sup> May 2009.

### Services and Distribution

- **Tesco's** logistics operation at the Prologis Park Site in Coventry has announced that 200 jobs will be lost as it transfers work to a new depot
- The **NEC** is cutting 100 jobs due to a loss in revenue from exhibitions
- **Royal Mail** has announced 100 redundancies in Stoke-on –Trent, the jobs will be lost in July 2009, when activity will be moved to Wolverhampton

### Retail

- **Carphone Warehouse** have announced that 450 jobs will be lost from 3 locations nationally, one of which is Wednesbury – the share of job losses is not known but estimated to be 100.

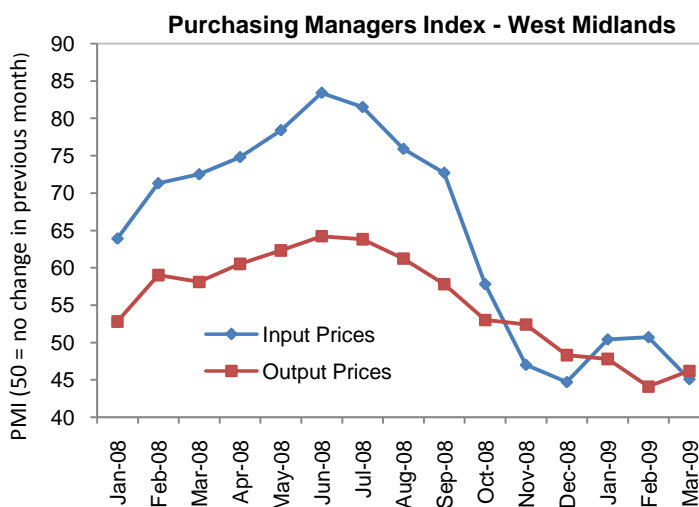
### And some regional Good News stories.....

- 50 jobs are to be created at **Dytecna** - the automotive manufacturer in Malvern has won a new contract.
- **Morrisons** have announced that they are to take over the Somerfield Store in Oswestry, creating up to 75 jobs
- **NP Aerospace** an armaments manufacturer in Coventry has won a new contract and announced that 50 new jobs will be made
- **Freshway Foods**, a Wolverhampton Sandwich business has been sold saving 250 jobs
- **Kia Motors** is to move its parts operations to a 209,000 sq ft warehouse in Tamworth.
- Plans for a replacement **Tesco** store in Trent Vale have been passed by Stoke-on-Trent City Council - the store would create around 180 new jobs.
- 50 jobs have been protected after **Leonardt** has acquired **Berkeley & Co**, both precision metal pressing firms are based in Shropshire.
- **Ramada Encore** is opening a new hotel in Birmingham City Centre, creating 45 jobs which will be in place by July.
- Plans announced by the Rank Group to buy the **Isle of Capri Casino** in Coventry will safeguard 100 jobs.
- Two **Somerfield** stores have been bought by the Midlands Co-operative society, saving 130 jobs in Stafford and Stone

## West Midlands Overview - Inflation & Investment

March's PMI showed that businesses in the West Midlands have seen a fall in input prices over the month with many saying that this was due to lower commodity prices (steel in particular). The rate of this decline in prices was steeper in the West Midlands than the UK average, with many businesses passing on this saving to customers. It was recognized that unfavourable exchange rates were a key factor preventing a faster reduction in input prices.

West Midlands businesses reported falling output prices for the fourth month in a row, with them dropping at a pace that was consistent with the UK average. Many businesses said they had reduced output prices to remain competitive in the face of falling demand, including through promotional discounts.



Source: PMI West Midlands. RBS / Markit Economics, April 2009

24% of the West Midlands' respondents to the Federation of Small Businesses' April snapshot survey said that the cost of their existing finance had increased. This compares with 28% nationally and is an improvement on 27% in January and 30% in November 2008. The West Midlands saw the highest proportion of respondents saying that they were not experiencing increased costs for existing finance; 29% compared to a UK average of 25%.

## West Midlands Overview – Housing, Property & Regeneration

The West Midlands has seen average house prices fall by 2% between February and March 2009, this was the greatest of any of the English regions. Regional house prices have fallen by 16.5% over the last year.

Prices falls have differed across the region. Coventry has seen the greatest annual drop, falling 19.9%. By contrast Sandwell has seen average house prices fall by 10.8% over the year.

### Average House Price Changes

	Monthly Change (%)	Annual Change (%)	Average Price (£)
West Midlands Region	-2.0	-16.5	126,820
Herefordshire	-1.9	-15.3	170,271
Stoke-on-Trent	-1.4	-14.8	79,112
Shropshire	-1.4	-13.4	156,527
Staffordshire	-1.9	-13.7	131,440
Warwickshire	-1.4	-15.7	154,084
Birmingham	-1.5	-13.5	118,930
Coventry	-4.5	-19.9	105,086
Dudley	-2.5	-12.1	125,396
Sandwell	+0.2	-10.8	103,473
Solihull	-2.7	-12.8	183,422
Walsall	-2.7	-13.9	114,815
Wolverhampton	+1.2	-15.3	106,581
Worcestershire	-1.7	-15.4	161,161

Source: Land Registry House Price Index, April 2009

Reflecting the national picture, regional stakeholders report that there have been some recent signs of improvements in the region's residential property market. A number of housebuilders have reported an increase in enquiries and sales since Christmas. However it is worth noting that although sales are taking place prices are often heavily discounted and a proportion of this activity is being drive by investors rather than occupiers.

## Spotlight on Skills

Skills remain at the centre of the economic and social policy agenda and an integral part of national, regional and sub-regional strategies to address the economic downturn and tackle disadvantage and exclusion. The Leitch Review of Skills Report, and other national and regional economic forecasts and reports detail the impact that skill levels have on competitiveness, productivity and sustainable employment. Evidence presented in the Regional Skills Assessment, confirms that in the future the economy will continue to change and create employment opportunities that require higher level skills and as a result there will be fewer job opportunities for those individuals who lack employability and relevant work skills.

The need for focused action to drive up skill levels to address these challenges within the West Midlands has been compounded by the economic downturn and the impact this is having on the regional economy, as seen in the automotive, construction and manufacturing sectors and the increase in the number of people who are unemployed. Unemployment is rising quickly with increasing numbers claiming Job Seekers Allowance, whilst notified vacancy figures are falling. Whilst numerically the main increases in claimants by sought occupation between January and February 2009 were for elementary, operative and sales & customer service occupations, in percentage terms, the largest increases were for managers and skilled trades.

Going forward, it will be important to match this pool of skilled individuals to available job opportunities. A recent survey of Recruitment and Employment Federation (REC) members also showed that vacancies had fallen and the number of people registering with them to find work has been increasing. Some 40% of respondents said that they were experiencing specific skill shortages for the vacancies they were working with. Engineering and IT were the two most cited sectors with skills shortages. The Chamber of Commerce Quarterly Economic Survey of members has shown a sharp contraction in the workforce as sales and orders continue to decline, with the proportion of companies attempting to recruit declining. The survey also showed that while investment in training has fallen overall, as many firms still plan to increase spending on training in the next three months as plan to decrease it. Investment in training has so far held up better than in most other regions.

The net result on skills of economic downturn has been increased demand for training and skills development, both from employers and individuals. Regional Skills Policy is focused on ensuring that the skills support that is available meets the needs of both employers and individuals, that it is demand led and flexibly delivered enabling employers to reskill and upskill their workforce and providing individuals who are outside of the labour market with the skills and employment support they require to find sustainable employment.

A range of employment and skills response activities are in place. These include the West Midlands LSC Redundancy Redeployment Project which has been running for a number of years. The latest phase of the project has engaged with over 150 Manufacturing sites which have announced redundancies which total over 10,000. Each of these 10,000 individuals has been offered a comprehensive support package to assist them in re-entering the workplace as soon as possible. From April 2009 this support is expanding to all sectors, increasing eligibility criteria to any organisation/individual under threat or notice of redundancy. Also, there is the Train to Gain Service which assists employers of all types and sizes to get the support they need to increase the skills of the workforce and improve business performance. This service has been well received by employers and to date over 17,000 employers have been assisted and 140,000 employees have started on relevant skills training programmes.

Regional stakeholders continue to work flexibly in jointly developing economic downturn responsive programmes, supporting both employers and individuals. For example:

- Implementing new Train to Gain flexibilities, where employers can access specific unitised provision;
- Utilising the West Midlands National Vocational Training Pilot (16 hour rule) pathfinder;
- Supporting Apprentices to finish their qualifications and/or find a new employer when facing redundancy;
- Continuing to provide support and employment related training in pre redundancy situations;
- Offering flexible employment related support and training for unemployed individuals ranging from “day 1 signers” to the longer term unemployed.

Although many challenges remain, the Regional Skills Partnership and the Regional Task Force remain committed to driving the skills agenda forward. Not just to see us through the current recession but also to achieve the long-term ambitions of the Regional Skills Action Plan and thus helping to close productivity gap identified in the Regional Economic Strategy.