

# West Midlands monthly economic update report

December 2009

## National Headlines:

- In its Pre-Budget report, the Government forecast that the UK economy will have contracted by 4.75% in 2009, but is expected to grow by 1.25% in 2010 and by 3.5% in both 2011 and 2012.
- Manufacturing output fell by 0.5% in the three months to October 2009 and was unchanged between September and October. However the Manufacturing PMI saw businesses reporting growth in output and new orders albeit from historic lows. The sector saw particularly strong growth in new orders for export.
- November saw the first annual rise in car production since September 2008, up 16% on November 2008. It was also the fifth month of rising car registrations, with figures in line with 2007 levels.
- The Service PMI suggests a more robust recovery of business activity and new orders, but consumer-facing services and small businesses are seeing slower rates of improvement.
- Contrary to earlier estimates, construction output rose by 2% in Q3 2009. But the Construction PMI reported contracting activity in November, despite the strongest expansion in the residential sub-sector for two years.
- The number of employed people in the UK rose by 53,000 in the three months to October 2009. Over one million people working part-time said they were because they could not find a full-time job, the highest on record.
- The number of unemployed people in the UK rose by 21,000 in the three months to October, the smallest rise since the three months to May 2008. Whilst the UK's unemployment rate was unchanged over the quarter (7.9%), the rate for people aged 18-24 year rose by 0.9 points to 18.4%. This is the highest on record.
- The UK's number of Jobseekers Allowance (JSA) claimants fell by 6,300 between October and November 2009. This was the first monthly fall seen nationally since February 2008.
- According to the Consumer Price Index (CPI) annual inflation was 1.9% in November, up from 1.5% in October.

## Regional Headlines:

- November was the fifth consecutive month in which the region has seen growing business activity – but the pace of this growth was slower than in October and still the lowest of the English regions.
- Growth in business activity during November was largely focused in manufacturing (although from a low base), with the service sector seeing a slight fall in activity over the month.
- Businesses continued to see growing new orders in November at a faster rate than the UK average.
- Businesses are still experiencing excess capacity, reflected in further job-shedding and less outstanding work.
- The PMI saw staff numbers shrink for a 19<sup>th</sup> month, with the region seeing the sharpest job-shedding in the UK.
- The number of employed people in the region rose by 22,000 in the three months to October 2009, bringing the region's employment rate up 0.3 percentage points to 70.3%.
- There were 8,000 fewer unemployed people in the region over the quarter. But at 274,000 the total is still 87,000 more than a year earlier. The region's unemployment rate fell by 0.4 points to 10.1%. This remains the highest in the UK, with a narrowing gap with the North East of England (9.9%).
- The region had 186,100 Jobseekers Allowance claimants in November, down 1,600 from October.
- There were 2,899 notified redundancies in the region during November. This was the second monthly increase after falls since June, but the level remains around half that seen in November 2008.

## UK Overview – Output / Business Activity

In its Pre-Budget report the Treasury revised down its expectation for the UK economy in 2009, forecasting it to have contracted by 4.75% rather than the Budget 2009 estimate of -3.5%. However the Treasury expects growth of 1.25% in 2010 and growth of 3.5% in both 2011 and 2012. On average the latest independent forecasts expect a contraction of 4.5% in 2009 (unchanged on November's forecasts), with growth of 1.3% in 2010 (up from 1.2% in November).

**Manufacturing** – The Index of Production reports that manufacturing output in the three months to October was 0.5% less than the previous quarter and 9.9% lower than the same period in 2008. More volatile monthly figures show that October's output was unchanged on September, but 7.8% less than a year earlier. Over the month, output increased in four of the 13 manufacturing sub-sectors, the largest being 5.6% for machinery and equipment industries and 2.6% for chemicals and man-made fibres. The largest falls over the month were for electrical and optical equipment industries (-2.7%) and paper, printing and publishing industries (-1.4%). The Manufacturing PMI saw further improvements in November, with growth in output and new orders, albeit from historic lows. Growth was seen by both large and small and medium-sized businesses, but whilst those producing consumer and intermediate (business-to-business) goods saw improvements there was little change for those producing investment goods. New orders rose from both home and export markets, with the latter at the fastest rate for almost two years. However the rate of recovery slowed on that seen in October, continuing concerns about the fragility of recent improvements. This was also reflected by a CBI survey that found manufacturers were expecting production to fall back a little in the coming months. The PMI also reported an easing in job losses, to the slowest in 18 months.

**Automotive manufacturing** – The Society of Motor Manufacturers and Traders (SMMT) reports that car production in November was 16% higher than a year earlier, the first rise seen since September 2008, but still significantly below previous levels. Fragile business confidence means the production of commercial vehicles continued to fall in November, albeit at a slower pace, with year-to-date figures 60% down on 2008. November saw the fifth month of increasing car registrations with levels 58% up on weak performance in November 2008 and in line with the levels seen in 2007. The Car Scrappage Scheme accounted for a fifth of all new car registrations during November, but business and fleet registrations also saw slight increases. Year-to-date registrations are down 9% on 2008.

**Services** – the Services PMI reports that the sector continued to see growing business activity in November alongside the fastest growth in new orders for over two years. The pace of growth in business activity broadly matched that seen in October. It remains largely based on the financial intermediation and business services sectors, with consumer-facing sectors seeing much slower rates of improvement. Large businesses saw stronger growth in activity than small businesses. Nevertheless, the sector saw a 19<sup>th</sup> month of job-shedding, albeit at the slowest rate for over a year. The CBI's service sector survey for the three months to October reported that looking forward businesses within consumer services and business and professional services expected their sales and profits to rise during Q4 2009 and into 2010.

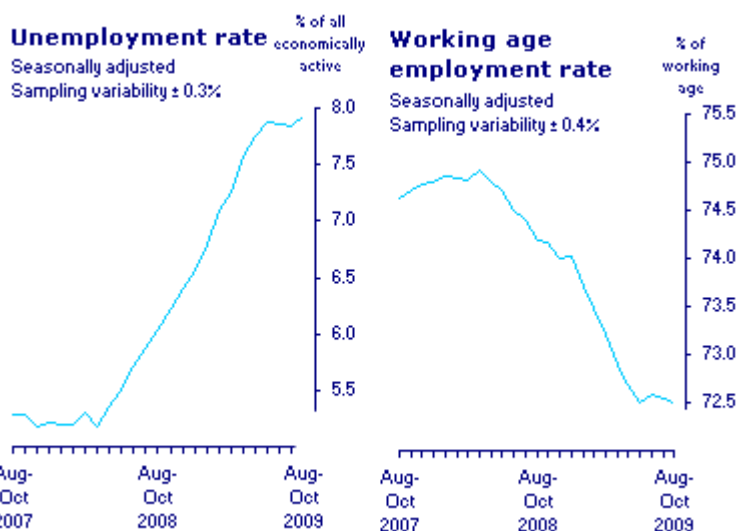
**Construction** – latest figures for Q3 show that construction output actually rose by 2% on the previous quarter, revised up from the initial estimate of a fall of 1.1%. However November's Construction PMI reported that the sector continued to see falling business activity during the month, making it the 21<sup>st</sup> consecutive month of contraction. But, the pace of decline was slightly slower than in October and November saw a marginal increase in new orders (the first since February 2008). The residential sub-sector saw its strongest expansion of business activity for over two years in November. In contrast the commercial and civil engineering sub-sectors saw further reductions in business. The sector continues to demonstrate excess capacity, with further, sharp job-shedding in November and falling use of sub-contractors. Despite these trends, businesses expressed optimism about future business conditions, expecting the improvement in wider economic conditions to result in greater workloads.

**Retail** – The British Retail Consortium reports that like-for-like sales in the three months to November 2009 were 2.8% higher than a year earlier when sales and confidence had dropped due to the downturn in financial markets. Food sales growth slowed further over this period, up 2.1% on 2008 compared with 3.3% growth for non-food sales, largely as a result of lower food price inflation. November's like-for-like sales were 1.8% higher than a year earlier, whilst non-food, non-store sales (internet, mail order and phone sales) were 17% higher, both slower than seen in October.

## UK Overview – Labour Market

The number of employed people in the UK rose by 53,000 in the three months to October 2009 to reach 28.93 million. This is 432,000 less than a year earlier. The UK's working age employment rate now stands at 72.5%, unchanged on the previous quarter, but 1.7 percentage points lower than August – October 2008. The employment rate for men fell by 0.3 percentage points over the quarter to 75.5%, whilst the rate for women rose by 0.3 points to 69.2%.

In the three months to October, the number of people in full-time employment fell by 69,000 compared with the previous quarter. In contrast the number of people in part-time employment rose by 122,000. Just over one million people working part-time claimed they were because they could not find a full-time job. This is 34,000 more than in the three months to July and the highest level since records began in 1992.



Source: ONS, Labour Market Statistics, December 2009

There were 2.49m people in unemployment in the three months to October 2009, the highest seen since 1995. This total was 21,000 more than the previous quarter, the smallest rise since the three months to May 2008. However it remains 608,000 more than the same period a year ago. The UK's unemployment rate remained unchanged over the quarter at 7.9%. This is 1.9 percentage points higher than a year ago. The rate for people aged 18-24 year rose by 0.9 points over the quarter to 18.4%. This is the highest on record. The number of people claiming Jobseekers Allowance (JSA) fell by 6,300 between October and November 2009 to a total of 1.63 million. This was the first monthly fall seen nationally since February 2008, but the total claimant register still remains 534,700 more than a year ago. The UK's claimant rate is 5.0%, unchanged on October's revised figures and 1.6 percentage points higher than in November 2008.

The number of economically inactive people of working age fell by 1,000 in the three months to October 2009 to 7.99m. This is 96,000 higher than a year earlier. The working age economic inactivity rate is 21.0%, unchanged over the quarter and up 0.2 points over the year.

In the three months to October 2009 191,000 people claimed they have become redundant in the preceding three months. This is 42,000 less than the previous quarter, but still 12,000 more than the same period in 2008. In the three months to November 2009, there were 432,000 notified vacancies, 1,000 more than the previous quarter but 124,000 less than a year earlier.

### UK Labour Market Statistics

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Aug – Oct 09	28,926	+53	-432	72.5	0.0	-1.7
Unemployment**	Aug – Oct 09	2,491	+21	+608	7.9	0.0	+1.9
Economically active*	Aug – Oct 09	31,417	+73	+175	79.0	0.0	-0.2
Economically inactive***	Aug – Oct 09	7,990	-1	+96	21.0	0.0	+0.2
Claimant count <sup>+</sup>	Nov 09	1,626.2	-6.3	+534.7	5.0	0.0	+1.6

\*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

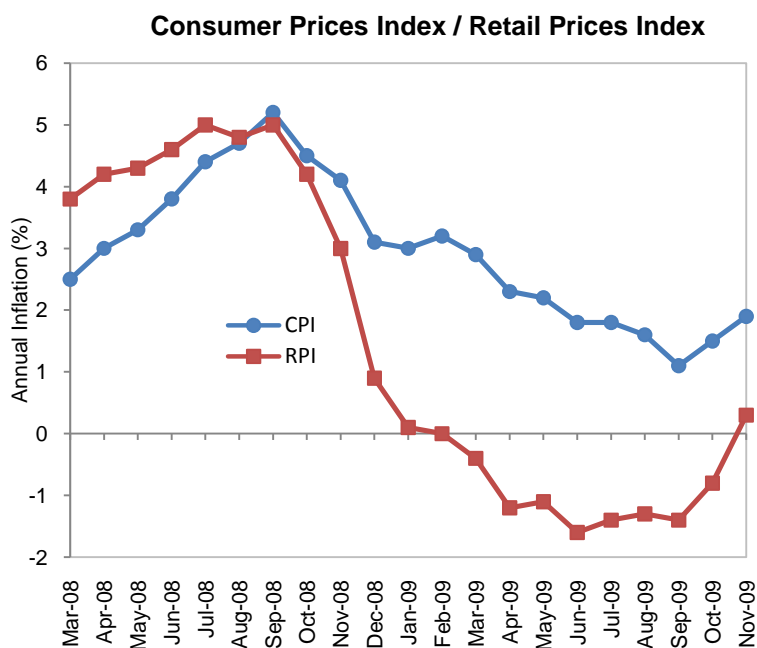
+ Claimant count levels are the number of JSA claimants; the claimant rate is the number of claimants as a percentage of claimants plus the number of workforce jobs

Source: ONS, Labour Market Statistics, December 2009

## UK Overview – Inflation

The Government uses the Consumer Price Index (CPI) to monitor annual inflation. Its current target for the CPI is 2%. In the year to November 2009, the CPI rose by 1.9%, higher than the 1.5% growth reported in October. The largest upward pressure over the month continued to come from transport prices, in particular by fuels and lubricants. Other transport-related upward pressures came from second-hand car prices, air transport and sea and inland waterway transport. The largest downward pressure came from food and non-alcoholic beverages.

The Retail Price Index (RPI) rose by 0.3% in the year to November 2009, higher than the fall of 0.8% reported in the year to October. It saw its largest downward pressure come from motoring expenditure, in particular petrol and oil and car prices. Other upward contributions came from housing and household goods, whilst the largest downward pressure came from food prices.



Source: Office of National Statistics, December 2009

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
June 2009	-12.0	0.5	-1.0	0.1
July 2009	-12.2	-1.1	-1.3	0.2
August 2009	-7.7	2.0	-0.3	0.3
September 2009	-6.2	-0.1	0.5	0.5
October 2009	0.4	2.9	1.9	0.3
November 2009	4.0	0.1	2.9	0.2

Source: National Statistics, Producer Prices Index, December 2009

In the year to November 2009 manufacturers saw the prices of their materials and fuels rise by 4.0%, up from the 0.4% rise reported the previous month and the highest since November 2008. Prices rose by 0.1% between October and November, mostly driven by the higher costs of crude oil and to a smaller extent other fuels. In contrast the price of imported materials overall (including imported crude oil) fell by 0.1% over the month. When excluding sectors that experience more volatile price changes (food, beverages, tobacco and petroleum) annual inflation in the year to November was 0.9%, whilst prices fell by 0.2% over the month. The Bank of England reports that many businesses expect inflation to rise in the future as global demand recovers.

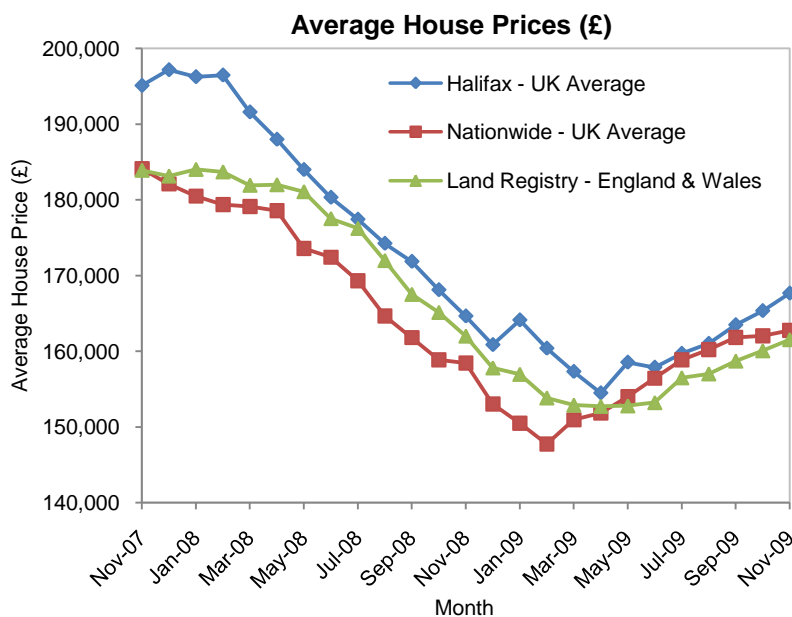
Manufacturers saw output prices rise by 2.9% in the year to November 2008. This was the highest rise seen since February 2009. Between October and November prices rose by 0.2% largely as a result of higher prices for petroleum products and to a lesser extent food products. These rises were partially offset by falls in the prices of other manufactured products. When excluding volatile sectors, annual inflation was 2.0%, whilst prices fell by 0.1% between October and November 2009.

## UK Overview – Housing, Property & Regeneration

The Land Registry reports that house prices rose by 0.9% between October and November 2009 but remained 0.3% lower than a year earlier.

The Halifax and Nationwide reported that prices rose by 1.4% and 0.5% respectively over the month. Whilst the Halifax notes prices are still 1.6% less than in November 2008, this is a marked improvement on the fall of -17.7% seen in April 2009. The Nationwide states that prices in November were 2.7% higher than a year earlier.

Most indicators of housing market activity continue to improve, albeit at a slower pace in November. Mortgage approvals for house purchase rose for the eleventh month in October. At a 19-month high, they were 79% higher than a year earlier, but still 56% less than their peak in late 2006.



Source: Halifax / Nationwide / Land Registry HPI, December 2009

The Nationwide Consumer Confidence Index reports that house price expectations slowed in November, with consumers expecting prices to rise by 1.0% over the next six months, rather than the 1.5% rise expected in October. The Halifax forecasts that house price growth will be flat during 2010.

### 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
May 09 <sup>r</sup>	128	427	775	859	91	552	2,831
Jun 09 <sup>r</sup>	182	339	533	641	169	655	2,519
Jul 09 <sup>r</sup>	371	381	1,010	933	89	468	3,250
Aug 09 <sup>r</sup>	264	292	706	687	99	571	2,619
Sept 09 <sup>p</sup>	166	425	668	870	133	598	2,860
Oct 09 <sup>p</sup>	242	491	564	502	146	763	2,708

<sup>r</sup> Excludes orders for home improvement work; <sup>p</sup> Provisional figures; <sup>r</sup> Revised Figures

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

The value of new construction orders in the three months to October 2009 were 5% less than the previous quarter and 6% lower than the same period in 2008. Orders in the year to October 2009 were 19% lower than the previous 12-month period. Private sector housing orders in the three months to October were 5% higher than the preceding three months, but still 1% lower than a year earlier. In contrast, new orders for public housing and housing associations rose by 1% over the quarter but were 10% higher than the three months to October 2008, although this sector remains relatively small. In the 12 months to October private housing orders have fallen by 34% compared with the previous year, whilst public and housing association orders have fallen by 10%.

The value of new infrastructure orders in the three months to October was 16% less than the previous three months, but 73% higher than the same quarter in 2008. Public non-housing orders (excluding infrastructure) in the three months to October were 15% lower than the previous quarter, but 14% higher than the three months to October 2008. In the year to October 2009 infrastructure orders were 46% higher than the preceding 12-month period, whilst public non-housing orders were 13% higher. In the three months to October 2009 private commercial orders were 15% up over the quarter but 41% less than the same period in 2008. Similarly private industrial orders rose by 9% over the quarter but were 41% less than a year earlier. Private commercial and industrial orders in the 12 months to October were down 47% and 40% respectively on the preceding year.

# UK Overview – Confidence & Investment

## Consumers

For the second month running the Nationwide Consumer Confidence Index (NCCI) was unchanged in November at 73 points. This remains within the confidence barometer's 'Gloomy' category. The Index's Present Situation sub-index fell by two points from October's six-month high of 22. This slowed the improvement in overall consumer confidence seen in recent months following the historic lows at the start of 2009. This reflects on-going news that the UK is recovering slower from the recession than other countries. In November just 7% of consumers believed that the current economic situation was good (down three points from October), whilst 70% thought economic conditions were bad (up from 68% in October). In terms of the current employment situation, 67% thought that there were currently not many or few jobs available (up from 66% the previous month), whilst 22% thought that there were many or some jobs available (unchanged over the month).

The Expectations sub-index showed improvement in November, rising by one point to 108 after the three-point fall seen in October. 41% of consumers thought the economic situation will be better in six months' time, down from 42% in October. 14% of consumers believed that economic conditions will be worse in six months, the lowest proportion since the Index began in May 2004. In terms of employment expectations, the proportion of people who thought there will be many or some jobs available in six months' time fell by one percentage point to 27% between October and November. More than half of consumers (52%) still thought there will be not many or few jobs available in six months, unchanged on October. 15% of consumers believed that their household income will be higher in six months' time, down from 17% the previous month. In contrast 73% thought their household income will be higher, the highest proportion on record.

Spending confidence also improved between October and November rising two points to 106. The proportion of people thinking that now is a good time to make a major purchase (e.g. house, car, etc.) rose by one percentage point over the month to 37%. The proportion thinking now was a bad time to make a purchase fell by three points to 34%, the lowest level seen since April 2006. 39% of consumers believed now is a good time to purchase household goods (e.g. white or brown goods), whilst 15% thought it was a bad time, these proportions are the same as seen in October.

## Business

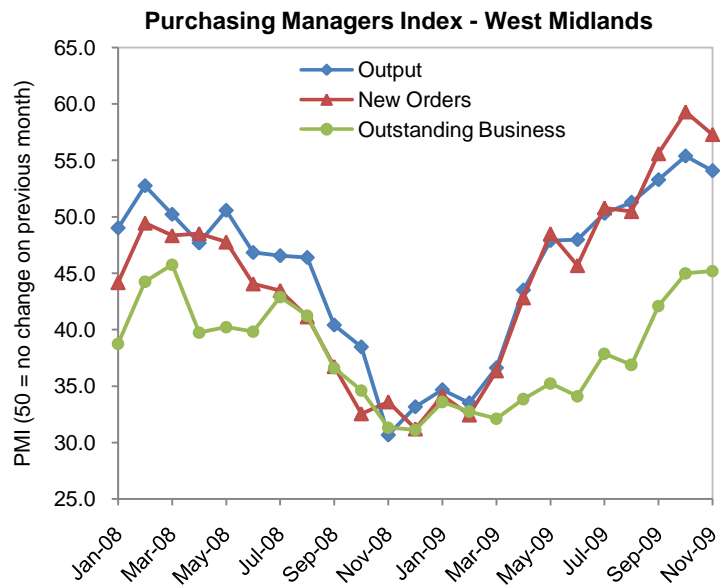
Revised estimates for Quarter 3 2009 indicate that business investment fell by 0.6% compared with the previous quarter, less than the earlier estimate of -3%. Similarly the annual change was slightly improved, reporting a fall of 19.9% compared with Q3 2008 (down from the initial estimate of -21.7%). Whilst investment is still declining the pace of contraction has eased considerably on earlier in the year, with quarterly falls of 8.8% and 10.3% seen in Q1 and Q2 respectively. Business investment by private sector manufacturers fell by 9.9% over the quarter and by 29.3% over the year. Private sector services saw a 0.1% fall in business investment between Q2 and Q3 2009, but it had fallen by 23.4% over the year. Within this, distribution services saw a 27.4% fall over the year. Similarly construction saw a 1.2% fall over the quarter and a 19.6% fall over the year to Q3 2009.

The Bank of England's summary of business conditions notes that whilst businesses' negative investment intentions have eased over Q4 2009 they remain weak, with many planning to freeze or reduce spending further in 2010, although not on the scale of the cuts seen in during 2009. Investment in property is particularly weak, with the exception of major retailers who continue to increase their investment in new stores and space to sell non-food products. The Bank also highlights that most businesses have completed the destocking efforts they implemented earlier in the year. However they remain cautious about rebuilding their inventories now conditions are improving because of continued uncertainties about future demand and working capital. Some cite difficulties in managing operations with reduced stocks levels, whilst others have seen productivity gains from this change which they wish to maintain. There are also more positive signs in terms of exports, with businesses reporting growing demand, in particular from Asia, and more opportunities to capitalise from Sterling's depreciation.

## West Midlands Overview – Output / Business Activity

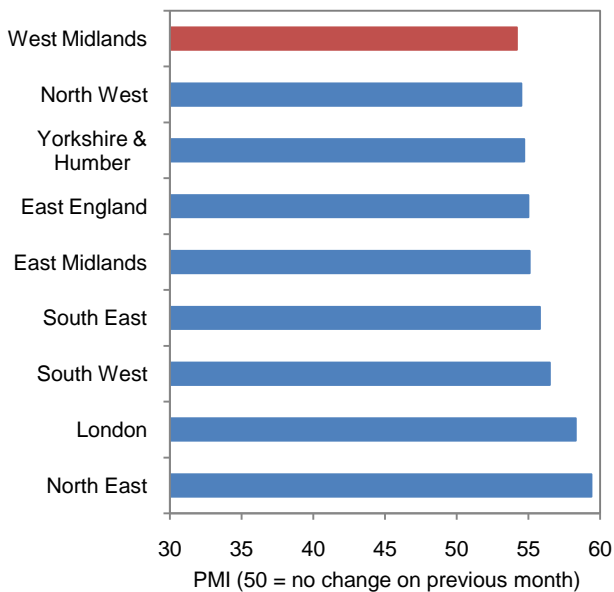
Produced by Markit Economics, the Purchasing Managers Index (PMI) surveys businesses from the manufacturing and service sectors to track a series of variables<sup>1</sup>. The Index gives the earliest indication of business conditions each month.

November was the fifth consecutive month in which the region has seen growing business activity. However the pace of this growth was slower than that seen in October and still the lowest of the English regions (second to just Northern Ireland in the UK). Growth was largely focused in the manufacturing sector, although this remains from a low base. Service sector firms reported a small fall in business activity during November. Over the last 12-month period the West Midlands has seen the sharpest fall in output of the English regions.



Source: PMI West Midlands, Markit Economics, / AWM, Dec 2009

### PMI Output (3-month average)



Source: PMI West Midlands, Markit Economics / AWM, Dec 2009

Businesses in the region continued to see growth in new orders in November. This was the fifth consecutive month of growth, with businesses attributing this to improvement in global economic conditions. Whilst the pace of growth in November was slower than the 27-month peak reported in October, it remained faster than the UK average. New order growth was seen amongst both manufacturing and services firms, but was strongest for the former.

Despite improvements in business activity and new orders, many businesses in the region report that they have falling levels of outstanding business. The pace at which outstanding work was falling in November was largely unchanged on October, but remained faster than the UK average. This indicates that many businesses in the region still have excess capacity and this is reflected in their continued reduction in staffing levels.

### 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
July 2009	50.3	53.5	50.8	53.2	37.9	42.7
August 2009	51.3	54.4	50.5	52.6	36.9	40.9
September 2009	53.3	54.3	55.6	53.6	42.1	42.1
October 2009	55.4	56.9	59.3	56.0	45.0	45.8
November 2009	54.1	56.5	57.3	56.0	45.2	47.7

Source: PMI West Midlands, December 2009 (Markit Economics)

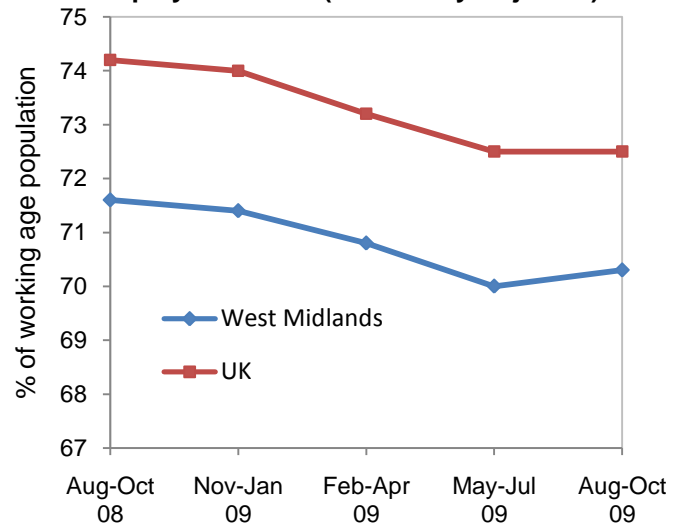
<sup>1</sup> The Index tracks output, new orders, employment and prices. An Index reading of 50.0 indicates no change on the previous month; readings above 50.0 signal an increase in activity and readings below 50.0 signal a decrease in activity on the previous month.

## West Midlands Overview – Labour Market

In the three months to October 2009 there were 2.43 million people in employment in the West Midlands. This is 22,000 more than in the preceding three months but 26,000 less than a year earlier. The region's working age employment rate now stands at 70.3%, up 0.3 percentage points over the quarter but down 1.3 points over the year. This compares with a UK average of 72.5%, but the gaps between the region and the national average has narrowed since earlier in the year.

The number of economically active people in the region rose by 13,000 in the three months to October and is now 61,000 higher than a year ago. Over the quarter the number of economically inactive people of working age fell by 5,000 and is now 42,000 less than a year ago. The region's economic inactivity rate is now 21.4%, down 0.1 points over the quarter and 1.3 points over the year.

**Employment Rate (Seasonally Adjusted)**

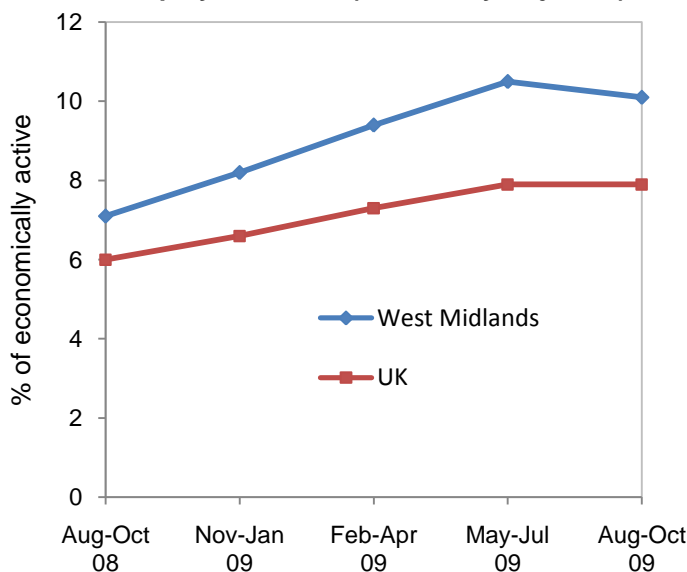


Source: ONS, Labour Market Statistics, December 2009

The number of unemployed people in the region fell by 8,000 in the three months to October to total 274,000. This is however still 87,000 more than a year earlier. The region's unemployment rate now stands at 10.1%, down 0.4 percentage points over the previous quarter but 3.1 points higher than a year ago. The West Midlands still has the highest unemployment rate of the UK regions, however the gap is decreasing with the North East, which has a rate of 9.9%.

Between October and November 2009 the seasonally adjusted number of JSA claimants in the region fell by 1,600 to total 186,100. This is still 57,700 more than in November 2008. The region's claimant rate is currently 6.6%, down 0.1 percentage points from October but up 2.1 points since last year.

**Unemployment Rate (Seasonally Adjusted)**



Source: ONS, Labour Market Statistics, December 2009

### West Midlands Labour Market Statistics (seasonally adjusted)

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Aug - Oct 09	2,429	+22	-26	70.3	+0.3	-1.3
Unemployment**	Aug - Oct 09	274	-8	+87	10.1	-0.4	+3.1
Economically active*	Aug - Oct 09	2,702	+13	+61	78.6	+0.1	+1.3
Economically inactive***	Aug - Oct 09	699	-5	-42	21.4	-0.1	-1.3
Claimant count†	November 09	183.4	-1.6	+57.7	6.6	-0.1	+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 rate is the proportion of the area's working age population

Source: ONS, Labour Market Statistics, December 2009

## West Midlands Overview – Labour Market

The West Midlands PMI for November reported a 19<sup>th</sup> month of falling staff levels. Although November's pace of job-shedding was only slightly faster than in October, the region saw the sharpest job-shedding of the UK regions in November and continues to have seen the steepest fall in staff numbers over the last 12 months.

Jobcentre Plus reports that there were 2,899 notified redundancies in the West Midlands during November. This is the second month in which notified redundancies have risen again in the region following on from the reductions in numbers seen since June. However the number of redundancies is still about half the number seen in November 2008. 35% (1,019) of November's notified redundancies were in the Coventry & Warwickshire sub-region, with a further 25% (734) in Birmingham & Solihull. Smaller proportions were seen in Staffordshire (18%; 523); the Black Country (15%; 424); and the Marches sub-regions (7%; 199). Just under a third (929) of the region's notified redundancies in November came from the transport and communications sector. The public sector also continued to see a growing number of notified redundancies (637). Similarly a significant number of notified redundancies (841) continue to come from the manufacturing sector.

There were 36,239 notified vacancies held by Jobcentre Plus in November 2009. This was less than the number held in October (41,143), although the percentage decline in the region was less than the average seen nationally. In contrast to the national picture the West Midlands saw a higher number of vacancies than a year earlier, up 9%, compared with a decline of 1% seen nationally. The greatest proportion of vacancies within the region in November were for sales occupations (13%; 4,687), followed by Elementary Trades, Plant and Storage Related Occupations (12%; 4,288) and Elementary Administration and Service Occupations (12%; 4,209). This pattern broadly matches that seen nationally. The most significant increases in vacancies over the month were for Business and Public Service Associate Professionals (+24%; +556 vacancies) and Process, Plant and Machine Operatives (+29%; +501 vacancies).

### Sub-Regional Picture

Non-seasonally adjusted figures report that the number of JSA claimants in the region in November 2009 was 3,211 less than in October. All but five lower-tier districts saw decreases in their claimant numbers between October and November. The greatest fall in claimant numbers over the month was seen in Birmingham (-583), with Warwickshire and Worcestershire seeing falls of 471 and 406 respectively. Amongst lower-tier districts the largest falls were in Nuneaton and Bedworth (-210), Rugby (-158) and Worcester (-153). In contrast East Staffordshire saw the greatest increase in claimants over the month, up by 33. This was followed by Staffordshire Moorlands (+31), North Warwickshire (+26), South Staffordshire (+9) and Tamworth (+9). Over the month Nuneaton and Bedworth, Rugby and Worcester saw their claimant proportions fall by 0.3 percentage points, the largest change seen in the region. The only districts to see an increase in their claimant proportion were East Staffordshire and Staffordshire Moorlands, both rising by 0.1 percentage point.

Over the year to November 2009 Birmingham has seen the largest absolute rise in claimant numbers, rising by 12,783. Staffordshire saw the next largest increase (+6,188). Amongst lower-tier districts Nuneaton and Bedworth saw the greatest rise over the year (-1,186), compared to the smallest rises in Malvern Hills (+395) and Staffordshire Moorlands (+442). In relative terms Stratford-on-Avon has seen the largest percentage rise over the last 12 months, rising 77% from a relatively low starting point. Tamworth and Wyre Forest have seen their claimant numbers rise by 66%. At the other end of the scale Birmingham's claimant numbers have risen by 34% from a base that was already high.

The other important dimension of course to bear in mind is the absolute numbers – which again the case of Birmingham are large. Conversely while Stratford-on-Avon has seen a large percentage increase this is from a low relative and absolute base.

## West Midlands Overview – Labour Market

As of November 2009 Birmingham continues to have the largest number of JSA claimants in the region, with 50,599 representing 29% of the regional total. This is followed by Staffordshire which has 18,140 claimants.

Of lower-tier districts the highest number of claimants is in Nuneaton and Bedworth (3,634) in Warwickshire, followed by Cannock Chase (2,918) in Staffordshire. Wolverhampton continues to have the highest claimant proportion in the region at 8.2%, followed by Birmingham at 8.0%.

The lowest claimant proportions in the region are currently in Stratford-on-Avon (2.3%) and Malvern Hills (2.4%).

### Local Authority Claimant Count Levels and Proportions<sup>1</sup> (non-seasonally adjusted)

	November 2009		Change on Month		Change on Year		
	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Percentage Change in Claimant Level
<b>Regional</b>	176,696	5.4	-3,211	-0.1	55,241	1.7	45%
<b>Herefordshire</b>	2,693	2.6	-138	-0.1	745	0.7	38%
<b>Stoke-on-Trent</b>	8,576	5.8	-162	-0.1	2,770	1.9	48%
<b>Telford and Wrekin</b>	4,547	4.5	-93	-0.1	1,505	1.5	49%
<b>Shropshire</b>	4,798	2.8	-38	0.0	1,548	0.9	48%
<b>Staffordshire</b>	18,140	3.6	-125	0.0	6,188	1.2	52%
Cannock Chase	2,918	4.9	-29	-0.1	984	1.6	51%
East Staffordshire	2,419	3.7	33	0.1	753	1.2	45%
Lichfield	1,863	3.2	-19	0.0	650	1.1	54%
Newcastle-under-Lyme	2,793	3.6	-130	-0.2	960	1.2	52%
South Staffordshire	2,180	3.4	9	0.0	775	1.2	55%
Stafford	2,193	2.9	-29	0.0	697	0.9	47%
Staffordshire Moorlands	1,449	2.6	31	0.1	442	0.8	44%
Tamworth	2,325	4.8	9	0.0	927	1.9	66%
<b>Warwickshire</b>	11,229	3.5	-471	-0.1	3,903	1.2	53%
North Warwickshire	1,473	3.8	26	0.0	498	1.3	51%
Nuneaton and Bedworth	3,634	4.9	-210	-0.3	1,186	1.6	48%
Rugby	1,965	3.6	-158	-0.3	680	1.2	53%
Stratford-on-Avon	1,558	2.3	-54	0.0	647	1.0	71%
Warwick	2,599	3.0	-75	-0.1	892	1.0	52%
<b>Birmingham</b>	50,599	8.0	-583	-0.1	12,783	2.0	34%
<b>Coventry</b>	10,971	5.6	-323	-0.1	3,618	1.9	49%
<b>Dudley</b>	10,803	5.9	-287	-0.1	3,885	2.1	56%
<b>Sandwell</b>	13,609	7.7	-109	-0.1	4,626	2.6	51%
<b>Solihull</b>	5,332	4.4	-171	-0.1	1,922	1.6	56%
<b>Walsall</b>	10,999	7.3	-213	-0.2	3,664	2.4	50%
<b>Wolverhampton</b>	11,729	8.2	-92	0.0	3,513	2.5	43%
<b>Worcestershire</b>	12,671	3.8	-406	-0.1	4,571	1.4	56%
Bromsgrove	2,098	3.8	-71	-0.1	806	1.5	62%
Malvern Hills	1,017	2.4	-30	-0.1	395	0.9	64%
Redditch	2,440	4.8	-38	-0.1	880	1.7	56%
Worcester	2,388	4.0	-153	-0.3	706	1.2	42%
Wychavon	2,111	3.1	-104	-0.1	748	1.1	55%
Wyre Forest	2,617	4.5	-10	0.0	1,036	1.8	66%

<sup>1</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.

Source: ONS, Labour Market Statistics, December 2009

# West Midlands Overview – Labour Market

## Regional Employment Monitoring

### Manufacturing

- Fujitsu Telecommunications Europe is planning to shed up to 140 jobs at its plant in Solihull.
- GKN have announced that 18 jobs will be lost in Birmingham due to a fall in orders.
- Fresh job losses are planned at JCB as sales continue to be hit by the recession. 148 of the planned 196 redundancies will be at JCB's headquarters in Rocester, 25 posts are under threat at the two sites in Cheadle, with the other job losses being at the sites in Rugeley and Wrexham.
- More jobs are set to be lost in Stratford with Triplex, the automotive component manufacturers stopping trading.

### Services

- Impney Group, the operator of two hotel and conference centres in Droitwich, has gone into administration through BDO with the loss of 45 jobs.

### Transport and distribution

- Holland & Barrett is to close its Julian Graves health foods warehouse and processing centre in Kingswinford in March, with the loss of up to 169 jobs.
- National Express is to shed about 200 jobs from its Birmingham headquarters and its bus and coach division.
- Coventry Airport has closed with immediate effect, casting doubt on the future of up to 300 jobs at its cargo terminal and executive jet operations.
- 59 jobs are at risk at distribution firm Wincanton's warehouse in Uttoxeter, after the firm lost a transport deal with Marks & Spencer.

### Public sector

- 80 jobs are to be lost at Coventry City Council due to cost cutting measures.

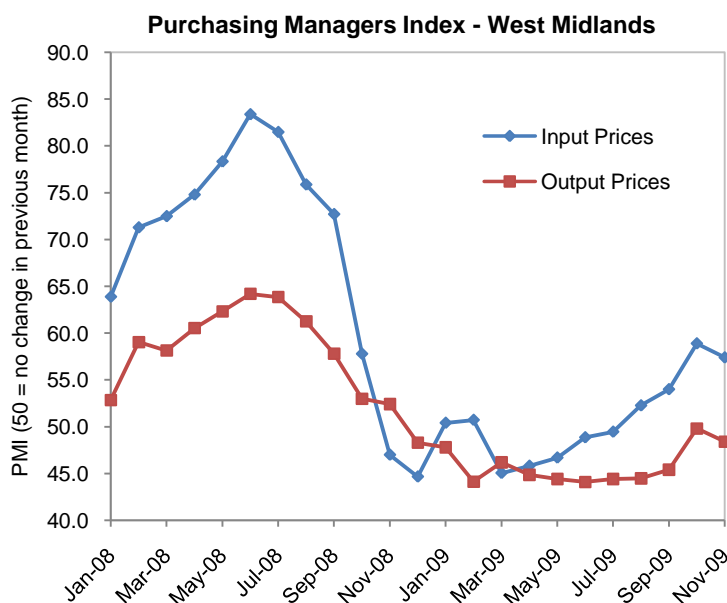
### And some regional good news stories.....

- Smart Timber Frame Company is planning to create more than 300 jobs at its timber house frames factory in Stoke-on-Trent over the next 15 months
- The Ministry of Defence is considering plans to close the Defence Storage & Distribution Agency depot at Ashchurch in Gloucestershire, with the relocation of up to 400 jobs to Donnington in Telford.
- The Dairy House has been acquired by a Devon-based farmer, securing 30 jobs at its organic dairy in Herefordshire.
- Casino 36 has bought two casinos in Wolverhampton and Dudley out of administration, securing 110 jobs.
- Morrisons is planning to open a new superstore at Holyhead Road in Sandwell in Jan 2011, creating 240 jobs.
- Best Buy is to create more than 100 jobs at a new electronics store due to open at the Merry Hill shopping centre near Dudley next spring.
- Palethorpes Pork Farms is to create 30 new jobs at its pie factory in Market Drayton.
- Car maker Jaguar Land Rover has announced it will be offering more than 100 graduate jobs and student placements in 2010.
- A £53 million expansion of Dovegate Prison has opened in Uttoxeter, creating more than 100 jobs.
- Centro has won permission for a £13m expansion of the Midland Metro tram depot in Wednesbury, creating 15 jobs.
- Telford & Wrekin Council is considering plans to invest £4.2m in the development of two new recycling centres.
- Rare Games, the computer games developer, is said to be in negotiations to set up an office at Fazeley Studios in Birmingham.
- Telford & Wrekin Council has approved plans from Liberty Mercian for a £12m retailing development at Snedshill in Telford, including new stores for Wickes and Aldi and the creation of 70 jobs.
- An extension to Asda in Oldbury is set to create 50 new jobs

## West Midlands Overview – Inflation & Investment

The November PMI for the West Midlands reports that input price inflation during November eased on that seen in October. However rising input prices continue to affect the region's businesses more than the UK average. Businesses report that rising input prices are being particularly driven by the costs of fuel, copper and steel.

November also saw output prices continue to fall, with the pace of reduction faster than seen in October. Output prices have now fallen in each of the past 12 months. However, 85% of the survey's panelists reported that their output prices remained unchanged between October and November. Service sector firms reported sharper falls in output prices than manufacturing firms, citing high levels of competition as the cause.



Source: PMI West Midlands. Markit Economics, / AWM, Dec 2009

## West Midlands Overview – Housing, Property & Regeneration

The West Midlands was the only region in England and Wales to see a decrease in average house prices between October and November 2009 (falling 0.4%, compared to an average rise of 0.9%). The region has seen the second largest fall in prices over the twelve months to November 2009, dropping 3.5%.

Within the region Sandwell saw the largest fall in average prices between October and November 2009 (-2.2%), whilst Wolverhampton saw the largest monthly rise in average prices (2.5%). These were also the largest rise and fall seen of all the metropolitan districts in England and Wales. Over the last year Coventry has seen the greatest fall in prices (-9.7%), followed by Walsall (-8.8%) and Stoke-on-Trent (-8.7%). The smallest annual falls have been in Wolverhampton (-2.4%) and Solihull (-3.5%).

RICS reports that the West Midlands only saw modest improvements in the net balance of surveyors reporting rising rather than falling prices in November and one of the weakest nationally.

### Average House Price Changes (November 2009)

	Monthly Change (%)	Annual Change (%)	Average Price (£)
West Midlands	-0.4	-3.5	£132,787
Herefordshire	-1.3	-6.8	£172,753
Stoke-on-Trent	1.5	-8.7	£77,670
Shropshire	0.1	-6.6	£159,345
Staffordshire	0.3	-5.8	£134,804
Warwickshire	0.3	-5.0	£156,709
Birmingham	0.3	-7.2	£116,936
Coventry	-1.4	-9.7	£108,332
Dudley	2.2	-3.9	£129,955
Sandwell	-2.2	-5.3	£99,548
Solihull	-0.3	-3.5	£188,515
Walsall	1.5	-8.8	£122,145
Wolverhampton	2.5	-2.4	£111,213
Worcestershire	0.1	-7.0	£162,674

<sup>1</sup> District-level monthly and annual percentage changes are rolling four-monthly averages of the price changes over one month and 12 months respectively. Regional figures are for single month. All price changes are seasonally adjusted.

Source: Land Registry House Price Index, December 2009

## Spotlight: Demographic Impact of the Recession in the Region

The West Midlands Regional Observatory's Economic Inclusion team produces quarterly updates on the impact of the recession on different demographic groups within the region. The third of these reports was published in November 2009. This 'Spotlight' section highlights key headlines from this report.<sup>2</sup>

### Employment Rates

Whilst the West Midlands saw its biggest falls in employment rates in the earlier period of the recession (with smaller falls in the last two quarters), across England the recession was slower to impact on employment rates. Between March 2008 and September 2009 the region's employment rate fell by 3.3 percentage points from 73.3 to 70.0%, a much greater decrease than nationally (a fall of 2.1 percentage points). Almost a quarter of the national fall in employment has been in the West Midlands.

Over the year to September 2009, the employment rate in the region fell by 1.7 percentage points from 72% to 70.3%. The two groups who had the lowest employment rates before the recession began (those aged 16–24 and those with no qualifications) have seen two of the biggest falls in employment rates over the year. The employment rate for young people is now 48% (falling by 6.8 percentage points) and the unqualified have the lowest employment rate of any group at just 41% (falling by 3.5 percentage points, almost double the fall seen by people with any type of qualification).

Men have also seen large falls in employment rates (of 4 percentage points) although their rate remains higher than many other groups at 72.5%. The employment rate for older people (aged 50 to retirement) fell, but by much less than the fall for young people (by 2.3 percentage points compared to 6.8 percentage points for those aged 16-24).

The employment rates for females, people aged 25-49, and ethnic minorities have remained relatively stable although for females and ethnic minorities their rates remain much lower than those for males and the white population respectively.

People with a disability, who have one of the lowest employment rates of all the groups, have actually seen an increase in their employment rates during the recession (to just over 50%). This trend could be partly explained by changes to the benefit system which have seen the introduction of greater support for claimants of sickness benefits. However, the employment rate for disabled people is still significantly below the rate of non-disabled people (75%).

### Unemployment Rates

All demographic groups have been affected by the recession and seen rises in unemployment rates, but the biggest rises have again been for those aged 16–24 and those with no qualifications.

The unemployment rate for young people has risen by 7.4 percentage points over the year to September 2009 (compared with a rise of 3.4 percentage points for all age groups) and now stands at 26%. Youth unemployment rates were already more than three times higher than other age groups before the recession began and the greater increase for this age group has widened this gap. There are now over 56,000 young people in the region claiming Jobseeker's Allowance. The West Midlands has the highest youth claimant rate of the English regions, with more than one in 10 young people claiming.

Similarly, the unemployment rate for people with no qualifications is now nearly 19% having increased by 5.8 percentage points. Men have seen the third largest rise in unemployment, with rates rising by 4.6 percentage points to 12%.

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<sup>2</sup> Full report can be found at: <http://www.wmro.org/standardTemplate.aspx/Home/OurResearch/Recessionmonitoring>

## Spotlight: Demographic Impact of the Recession in the Region

The unemployment rate increased by slightly more for ethnic minorities than white groups (4 percentage points compared 3.2 percentage points) and their unemployment rate remains significantly higher at 19% compared to just under 9% for white groups. When considering JSA claimants, the greatest increase in claimant rates has been seen for the black/black British ethnic groups. However the greatest rise in absolute terms has been amongst the White – British group, with over 54,700 more JSA claimants in the year to September 2008.

### Economic Inactivity

There are a range of reasons why people may be economically inactive (neither in employment nor looking for work). This group includes students, those looking after their family/home, sick/disabled people and early retirees. In previous recessions, large numbers of people moved from unemployment into economic inactivity and remained there for many years.

An increase in inactivity could be a worrying sign if it indicated people were losing faith in the labour market and giving up looking for work. Over the last year the West Midlands has seen more fluid changes in its economic inactivity levels than the rest of the country, with some months seeing increases and others decreases. The balance of these changes has left the economic inactivity rate around the same as a year ago, but the make-up of the region's economically inactive population has changed.

In common with the rest of the country, during the recession period the West Midlands has seen an increase in the number of people becoming economically inactive due to being a student. However, unlike other parts of the region the region has also seen reductions in the number of people inactive due to caring for family/home (-27,500) and a reduction in those inactive due to sickness / disability (-32,700).

The fall in the number of inactive people who are sick/disabled has coincided with new sickness benefit rules which aim to support claimants back into work by focusing on what work they are able to do rather than what they cannot do. However, this was a national change so does not explain why the change has been greater in the West Midlands.

It is possible that the fall in the number of economically inactive people looking after the family/home could be due to an increase in the need for non-working partners to look for or enter employment if the working partner loses their job or sees a reduction in income. This could be a particular issue in this region due to the industrial structure, and loss of jobs in male-dominated manufacturing industries. This could also be reflected in the fact that around 36,000 fewer women in the region are now economically inactive than a year ago, with some having entered employment and some unemployment.

### Future Impacts

It will be important to continue to monitor the differential impacts of the recession as we move into economic recovery. Just as some groups have seen worse impacts than others, some may take longer to recover to pre-recession conditions. There is also potential for some groups to be more affected than others from later stages of the recession. For example, some groups such as women, BME groups, and people with disabilities are more likely to be employed in the public sector and third sector. If cuts in public spending impact on public and third sector employment levels over the next year or two, some of these demographic groups may begin to be further impacted.