

# West Midlands monthly economic update report

August 2009

## National Headlines:

- The Bank of England highlights that the UK economy's recovery is likely to be uncertain, slow and protracted. Latest independent forecasts suggest the economy will contract by 4.2% in 2009, with just 0.8% growth in 2010.
- Manufacturing output fell by 0.2% in the three months to June 2009, but early estimates suggest it rose between May and June. The Purchasing Managers' Index (PMI) reported positive growth again in July, with the greatest rise in output since December 2007. Improving output is being driven by domestic rather than export markets.
- The car scrappage scheme is starting to feed through to both car production and car registrations volumes.
- The Construction PMI reports that the sectors business activity continued to decline in July. Whilst the pace of decline slowed for the commercial and civil engineering sub-sector, the pace worsened for housing.
- Retail sales continue to be relatively resilient compared to past recession, but consumers continue to be cautious in light of rising unemployment and economic uncertainty.
- The three months to June 2009 saw the number of people in employment in the UK fall by 271,000 and unemployment rise by 220,000. The UK unemployment rate is now 7.8%, up 2.4 percentage points on the year. There were 24,900 more Jobseekers Allowance claimants in the UK in July than in June 2009.
- The UK continues to see a shift towards greater levels of part-time employment as companies avoid making redundancies by reducing hours. The number of people in full-time employment fell by 309,000 in the three months to June, but part-time employment rose by 38,000.
- Annual inflation according to the Consumer Price Index (CPI) remained at 1.8% in July, but is likely to fall below 1% in the autumn. Companies continue to report that competition is driving down both input and output prices.

## Regional Headlines:

- The West Midlands PMI reports that the region returned to business activity growth in July after 14 months of decline. This is later than most other regions and growth remains lower than all other English regions.
- In the three months to June the number of people in employment in the West Midlands fell by 2,000. The region's working age employment rate is now 70.3%, 2.2 percentage points lower than a year ago.
- The region's unemployment rate rose by 1.3 percentage points over the quarter to 10.6%. This is 4.2 percentage points higher than a year ago and the highest of the UK regions, some 2.8 points above the UK average.
- The region now has 118,000 more unemployed people than a year ago. This increase is by far the greatest of the UK regions, accounting for almost a fifth of the increase seen in England over the last year.
- The region is seeing significant variations in claimant proportions, with ward level figures showing Aston ward in Birmingham to have a non-seasonally adjusted rate of 13.6%, far in excess of the regional average of 5.4%
- 2,498 redundancies were notified in the region in July, the greatest share being in Birmingham and Solihull.
- The region saw a greater rise in notified vacancies in between June and July than the England average.
- Seasonal fluctuations mean that some local authority districts saw rises in claimant levels in July and others saw falls. The greatest increases were in Birmingham and Warwickshire.
- Amongst English local authorities, of the ten greatest rises in claimant rates over the year, five are in the region.

## UK Overview – Output / Business Activity

Whilst the UK continued to see a contraction in its economy in Quarter 2 2009, a number of other advanced economies reported a return to positive GDP growth, with Germany and France reporting 0.3% growth on the previous quarter and Japan growth of 0.9%. The Bank of England's August Inflation Report reinforces their view that the UK economy's recovery is likely to be slow and protracted, and highlights that the timing and strength of recovery remains highly uncertain. The latest average of independent forecasts suggests that the UK economy will contract by 4.2% in 2009 (greater than the -4.0% forecast in June), with growth of 0.8% in 2010 (up slightly from 0.7% in June).

**Manufacturing** – in Q2 2009 manufacturing output fell by 0.2% on the previous quarter. Over the quarter the greatest falls were seen in basic metals and metal product industries (-3.3%), machinery & equipment industries (-3.1%) and the coke, refined petrol & nuclear fuels industries (-8.6%). The greatest increases in output over the quarter were in transport equipment industries (+3.5%) and the paper, printing & publishing industries (+1.1%). It is estimated that output rose by 0.4% between May and June, driven by transport equipment industries (+4.1%) and electrical and optical equipment industries (+2.5%). The manufacturing Purchasing Managers' Index (PMI) reports that the sector saw its second consecutive month of growing business activity in July, with the greatest rise in output since December 2007. Businesses attributed this rise in activity to rising new orders and production lines being restarted following shutdowns earlier in the year. Domestic markets drove the first rise in new orders since March 2008, but new export orders continued to fall. These rises in output and new orders were seen across a broad set of sub-sectors and company sizes. However, the sector continues to see significant cuts in staff, albeit their rate was the slowest since June 2008.

**Automotive manufacturing** – the Society of Motor Manufacturing and Traders (SMMT) reports that car registrations rose by 2.4% in July compared with the previous year, the first growth in 15 months. It is felt that these figures reflect the positive impact of the car scrappage scheme, with overall growth being driven by registrations by private buyers and small car sectors. Nevertheless, despite this positive growth, sales in the year to July remain more than half a million down on the previous 12-month period and July's sales were some 10% lower than the average seen between 1999 and 2008. The SMMT reports that July's car production was 17.9% lower than in 2008, but that, with scrappage schemes across Europe stimulating production, the rate of decline in output had slowed. However the production of commercial vehicles continues to fall sharply due to low demand and high stock levels; production in July 2009 was 59.8% lower than July 2008.

**Services** –. The Services PMI reports that July's business activity levels rose at the fastest rate since February 2008. Businesses attributed this growth to rising new orders (the highest since March 2008), increased referrals and greater marketing activity. Businesses reported an improvement in business confidence, but recognize that many clients remain cautious in committing significant expenditure. In addition the sector continues to shed staff due to excess capacity and cost considerations via redundancies and non-replacement of leavers.

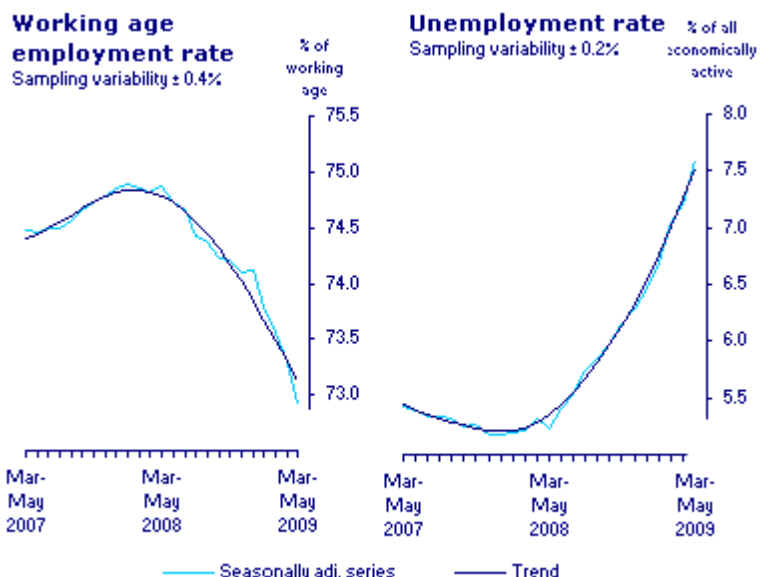
**Construction** – the Construction PMI reports that business activity in the sector continued to fall in July, although the pace of decline was the slowest for 16 months. Whilst the commercial and civil engineering sub-sectors reported slower rates of contraction in July, the housing sub-sector's rate of contraction worsened. The sector's decline in new orders was the slowest for 17 months and the use of sub-contractors fell at a faster rate in July than the previous month. However, construction companies are reporting growing optimism about future levels of activity, with some reporting increasing offers to tender and returning pipeline work.

**Retail** – whilst retail sales growth has certainly slowed from the levels of 3-4% seen in early 2008, they continue to be relatively resilient compared to the contractions seen in previous recessions. The British Retail Consortium (BRC) reports that July's like-for-like retail sales in July 2009 were 1.8% higher than in July 2008. An average of the three months to July shows that sales were 0.8% higher than the same period last year. However food sales continue to drive this growth, with like-for-like sales up 4.2% on last year, compared to non-food sales that are down 1.4%. The BRC reports that whilst food and clothing sales slowed in July, home-ware and furniture sales improved. Non-food, non-store sales (e.g. internet, mail-order and phone sales) in July 2009 were 20.0% higher than a year earlier, albeit on much smaller values than overall retail sales.

## UK Overview – Labour Market

The number of people in employment in the UK fell by 271,000 in the three months to June 2009. At 28.9 million the total number employed people is now 573,000 less than a year ago. For the three months to June, the national employment rate was 72.7%, down 0.9 percentage points on the previous quarter and 2.0 percentage points less than a year ago. Over the quarter the employment rates for men fell by 1.2 percentage points compared to a fall of 0.5 for women.

Unemployment continues to grow with the national rate rising to 7.8% in the three months to June. This is 0.7 percentage points higher than the previous quarter and 2.4 percentage points higher than the same period in 2008. In the three months to June the number of unemployed people in the UK rose by 220,000 compared with the three months to March, to total 2.4 million. This level is 750,000 higher than a year ago.



Source: ONS, Labour Market Statistics, August 2009

The UK's claimant count rose by 24,900 between June and July 2009, a much slower pace of increase than earlier in 2009. At 1.6 million, the total number of claimants is now 709,000 higher than in July 2009. The UK's claimant rate now stands at 4.9%, up 0.1 percentage points on June 2009 and 2.2 percentage points higher than in July 2008.

The number of economically active people in the UK fell by 52,000 in the three months to June 2009 to 31.4 million. However the total number is still 177,000 higher than at the same point in 2008. The national economic activity rate now stands at 79.0%, down 0.3% on the previous three months and 0.1 percentage points lower than a year earlier. The number of economically inactive people in the UK increased by 127,000 in the three months to June 2009, to total 8.0 million. The national inactivity rate is now 21.0%, up 0.3 percentage points on the previous quarter and 0.1 percentage points above the same period last year.

The UK's labour force continues to see a shift toward greater levels of part-time employment. In the three months to June the number of people in full-time employment fell by 309,000 to 21.4 million. By contrast the number of people in part-time employment rose by 38,000 over the quarter to 7.6 million. The Labour Force Survey for the three months to June 2009 reports that 277,000 people said they had been made redundant during the three months prior to the survey. This figure is 9,000 less than the previous quarter but 150,000 more than a year earlier. There were 427,000 job vacancies in the three months to July 2009, 26,000 fewer than the previous quarter and 203,000 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*	Apr - Jun 09	28,933	-271	-573	72.7	-0.9	-2.0
Unemployment**	Apr - Jun 09	2,435	+220	+750	7.8	+0.7	+2.4
Economically active*	Apr - Jun 09	31,368	-52	+177	79.0	-0.3	-0.1
Economically inactive***	Apr - Jun 09	7,955	+127	+83	21.0	+0.3	+0.1
Claimant count†	July 09	1,582.7	+24.9	+709.0	4.9	+0.1	+2.2

\*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, August 2009

## UK Overview – Inflation

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

CPI annual inflation in the year to July 2009 was 1.8%. This is unchanged from the year to June and above the 1.6% commentators had expected. The largest downward pressures came from food and non-alcoholic beverages. There were smaller downward pressures from restaurants and hotels and housing and household services. By contrast upward price pressures came from recreation and culture. The static position over the month ends four successive months in which the CPI has fallen. However the Monetary Policy Committee expects it to fall below 1.0% in the autumn.

The Retail Price Index (RPI) improved slightly in July, with prices falling by 1.4% over the year, compared to a fall of 1.6% reported last month. The largest upward pressure came from motoring expenditure, followed by household goods and housing costs. The largest downward pressure came from food prices, with smaller pressures from fuel & light and fares & travel costs.

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

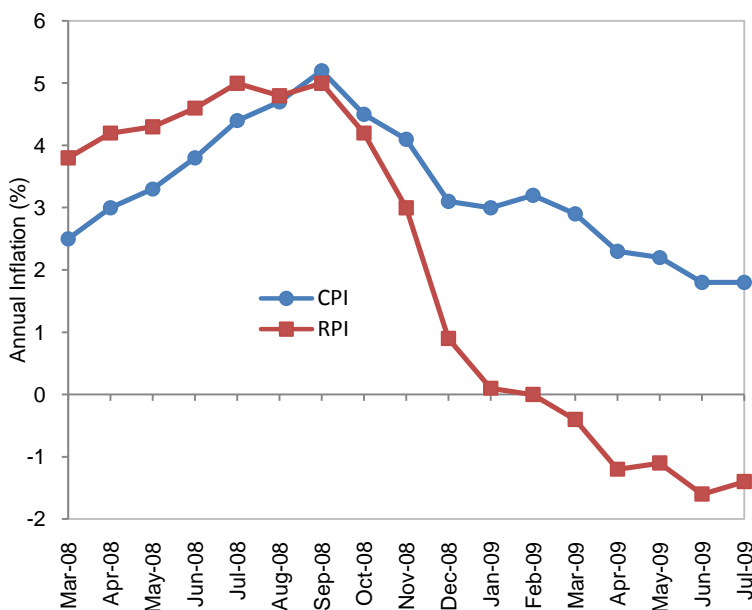
Date	Percentage Change			
	Input Prices (material and fuels purchased – not seasonally adjusted)		Output Prices (all manufactured products – not seasonally adjusted)	
	12 months	1 month	12 months	1 month
February 2009	0.8	0.8	3.0	0.0
March 2009	-0.4	1.2	2.0	0.1
April 2009	-5.7	-1.7	1.3	0.7
May 2009	-8.5	1.2	-0.3	0.4
June 2009	-11.8	0.5	-1.0	0.0
July 2009	-12.2	-1.4	-1.3	0.3

Source: National Statistics, Producer Prices Index, August 2009

In terms of input prices, UK manufacturers saw costs fall by 12.2% in the year to July 2009. Between June and July 2009 input prices fell by 1.4%, mostly driven by a drop in crude oil prices. When excluding volatile sectors (food, beverages, tobacco and petroleum), input prices fell by 3.7% in the year to July and by 0.5% between June and July. The Manufacturing and Construction PMI also report that businesses continued to see falling input prices, as a result of weak demand and competition between suppliers. However the Service PMI reports rising input prices for the sector.

In the year to July 2009 UK manufacturers saw their output prices fall by 1.3%, a further drop from the -1.0% reported for the year to June 2009 and the lowest since November 2001. However prices rose by 0.3% between June and July, largely driven by increases in the prices of other manufactured, chemical and tobacco and alcohol products. When excluding volatile sectors output prices rose by 0.2% in the year to July and by 0.5% between June and July. When excluding excise duties, output prices fell by 2.1% in the year to July and rose by 0.3% between June and July.

Consumer Prices Index / Retail Prices Index

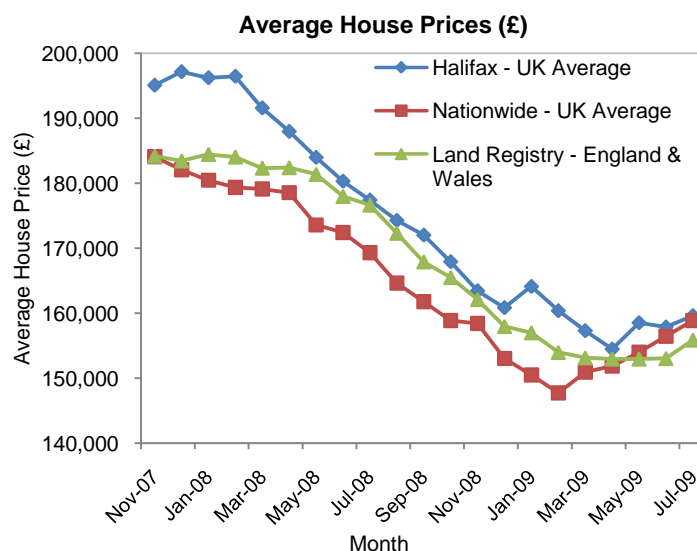


Source: Office of National Statistics, August 2009

## UK Overview – Housing, Property & Regeneration

The Land Registry reports that house prices rose by 1.7% between June and July 2009. The Nationwide and Halifax report that between June and July 2009 average house prices rose by 1.3% and 1.1% respectively. Considering the underlying trend of prices over the last quarter the Nationwide reports a rise of 2.6%, whilst the Halifax reports a rise of 0.8%. In the year to July they report average prices fell by 6.2% and 12.1%, a, improvement from 9.3% and 15.0% reported in June.

The Nationwide report that so far in 2009 prices have risen by 1.3%, with the possibility that will end the year higher than they were at the start. However they caution against expectations that prices will continue to rise at the pace seen over the last couple of months, since rising unemployment will hold back buyer confidence.



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

The Halifax reports that the average house price to earnings ratio is estimated to have been 4.36 in July 2009. This has got closer to the long-term average of 4.0 and is considerably lower than the 5.84 reported in July 2007. Similarly they report that on average monthly mortgage repayments now account for 21.4% of gross household income. This compares to a peak of 26.9% in October 2008, but remains above the long-term average of 20.4%.

Figures from the Council of Mortgage Lenders (CML) show that mortgage markets continue to stabilise, but remain weak compared with historic trends. Although from low levels, June saw an increase in both the number of loans approved for house purchase and the number for re-mortgaging. At 45,000 the number of loans for house purchase was 23% higher in June than in May, but still less than half the average level seen in June over the last seven years. The CML reports that the tightening of mortgage criteria appears to be easing, with first-time buyers on average having a 25% deposit for their purchase which is unchanged since February. According to the Royal Institute of Chartered Surveyors (RICS) buyer enquiries rose in July, but there continues to be a lack of properties being put up for sale, meaning supply is down 35% compared to last year.

### 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
Dec 08	94	518	967	643	168	740	3,128
Jan 09	100	353	703	411	53	629	2,251
Feb 09	147	306	414	557	124	588	2,136
Mar 09 <sup>f</sup>	160	399	626	485	102	459	2,231
Apr 09 <sup>f</sup>	183	551	669	1,017	133	655	3,210
May 09 <sup>p</sup>	132	423	669	614	69	578	2,487
Jun 09 <sup>p</sup>	175	347	477	456	92	579	2,126

<sup>1</sup> Excludes orders for home improvement work; <sup>p</sup> Provisional figures; <sup>f</sup> Revised Figures

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

The three months to June 2009 saw new construction orders rise by 18% compared with the previous quarter, but fall by 21% on the same period in 2008. New private housing orders rose by 25% in the three months to June, compared with the previous quarter, but were a third lower than a year earlier. Private housing orders in the year to June 2009 were half that of the previous year. Public housing and housing association orders also rose, up 20% on the previous quarter but down 19% on the same period last year. Private commercial and industrial orders rose by 8% and 6% respectively on the previous quarter but remained 46% and 41% lower than a year earlier. Infrastructure orders rose in the three months to June, up 4% on the previous quarter and by 27% on the same period a year earlier.

# UK Overview – Confidence & Investment

## Consumers

Consumer confidence rose again in July according to the Nationwide's Consumer Confidence Index (NCCI), albeit rising by just one point compared to the four-point rise seen in June. Improved expectations for the coming six months continue to drive this improvement, whilst the indices for confidence in present conditions and spending confidence continue to see falls. The resulting stability in overall confidence in recent months is a key factor that should help to underpin economic recovery, with the expectations index highlighting that many consumers believe some degree of recovery has either started or is on its way.

Considering the present situation, the proportion of consumers who believe that the current economic situation is good increased by 2 percentage points between June and July, whilst the proportion of people who think it is bad dropped by just 1 point to 75%. The proportion who believe there are now few jobs available rose by 6 points compared to last month to 74%. Looking forward a third of consumers believe that economic conditions will be better in six months' time (the same as in June), whilst 21% think it will be worst (down from 23% in June). However the proportion of consumers that think there will be few jobs available in six months' time rose by 6 percentage points over the month to 60%. Only 20% think there will be many / some jobs available in six months' time, down from 22% in June.

July saw a significant fall in the NCCI's Spending Index, down 11 points over the month. The proportion of consumers that think now is a good time to make a major purchase (e.g. house, car) dropped from 40% in June to 35% in July. Whilst the proportion that thought it a bad time to make such a purchase rose from 38% to 43%. In terms of the purchase of major household purchases (e.g. white or brown goods), 40% felt that now was a good time to buy (down from 42% last month), whilst 16% thought it was a bad time to buy (up from 13%). However on the positive side, for the first time in 19 months July's index showed that consumers expect the value of their homes to increase during the next six months. Consumers forecast house prices to rise by 0.5%, the highest expectation since December 2007.

## Business

Businesses continue to see contractions in export volumes as a result of weak global demand. However some businesses are reporting a recent increase in demand from China. There are also reports that some companies are choosing to switch from importing supplies to using domestic suppliers. In particular this has been driven by their moves to cut back their inventories, with domestic suppliers offering shorter shipping times when re-stocking is required. The Bank of England reports that whilst the pace of destocking by businesses has slowed, businesses expect to keep their stock levels much lower than previous years, reflecting both lower demand and their concerns about working capital costs.

The Bank of England notes that businesses' investment intentions remain weak as a result of the outlook for future demand and the tightness of corporate credit conditions. These factors and concerns over the cost and availability of external project finance mean that many businesses are reluctant to draw from cash balances to finance investment so that they ensure they maintain sufficient working capital. Many businesses also expect to further cut back on their staffing costs in future months, albeit not on the scale of previous redundancies, resorting instead to freezes on the replacement leavers.

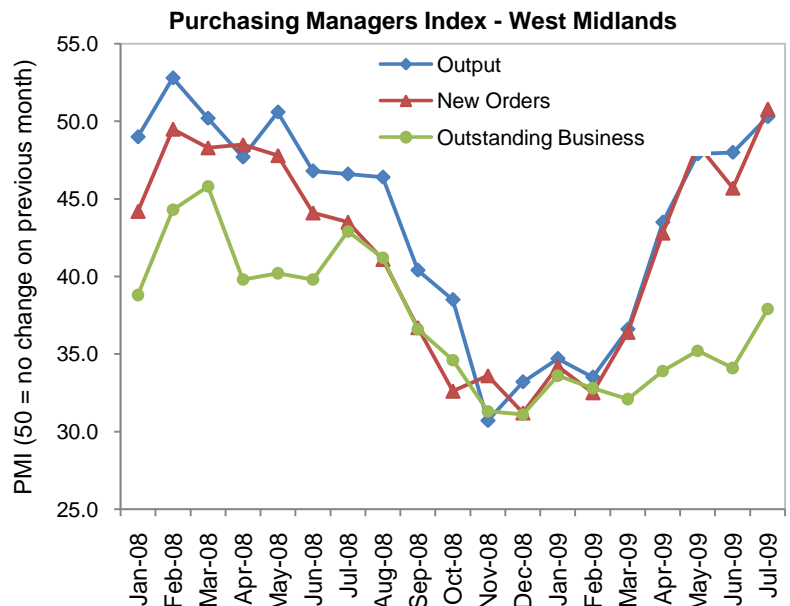
The availability of credit continues to be a key concern for many businesses, with many reporting that costs have risen sharply when renewing or reviewing lending facilities. The Bank of England states that businesses' experiences are becoming increasingly polarized as lenders seek to focus on low risk lending. There are on-going reports that tighter credit limits are being applied to certain sectors, in particular property and construction and some retail activities.

The Bank of England's reports that lending to businesses fell across all the main industrial sectors in Q2 2009, with the stock of lending falling further in the first month of Q3. The availability of finance for small businesses is particularly difficult since they are often not able to draw on alternative sources of finance from capital markets.

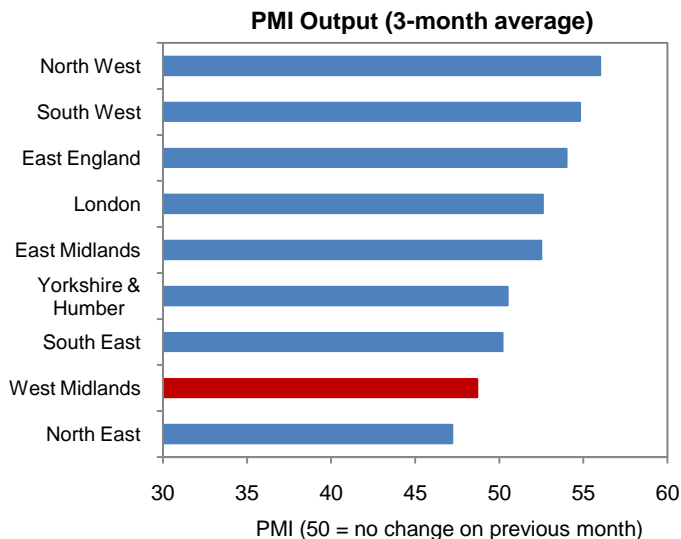
## West Midlands Overview – Output / Business Activity

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.

The July PMI reports that businesses in the region saw their first growth in output for 14 months. Businesses in both the manufacturing and service sectors reported growth. However growth remains small (registering 50.3, this is only just above the 'no change' level of 50) and markedly below the UK average. The region's output growth was the smallest of all UK regions, with the exception of Northern Ireland. The West Midlands has seen the sharpest reduction in output of the English regions over the last year.



Source: PMI West Midlands, Markit Economics, August 2009



Source: PMI West Midlands, Markit Economics, August 2009

Businesses also reported a marginal rise in new orders, with manufacturers seeing a greater increase than service sector companies. After 20 months of declining orders, this was a positive step, but again the rise was less than the UK average.

In parallel July also continued to see sharp reductions in businesses' outstanding work, with new orders insufficient to replace completed contracts. The West Midlands saw the fastest decline in outstanding work of the UK regions in July. Although at a slower rate than in June, this falling backlog continues to indicate excess capacity within the region's businesses.

### 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
February 2009	33.5	40.3	32.5	40.0	32.8	36.3
March 2009	36.6	44.7	36.4	43.2	32.1	38.1
April 2009	43.5	47.7	42.8	47.7	33.9	40.6
May 2009	47.9	50.8	48.5	51.1	35.2	41.1
June 2009	48.0	51.7	45.7	49.7	34.1	41.3
July 2009	50.3	53.6	50.8	53.4	37.9	42.7

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

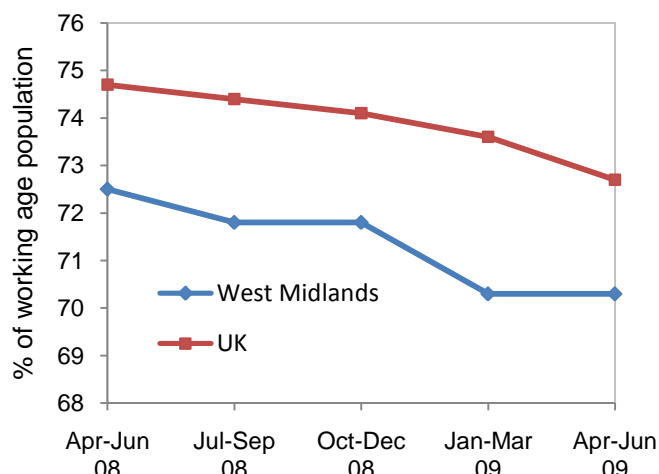
<sup>1</sup> The Index tracks output, new orders, employment and prices. An Index reading of 50.0 indicates no change on the previous month; readings above 50.0 signal an increase in activity and readings below 50.0 signal a decrease in activity on the previous month.

## West Midlands Overview - Labour Market

The number of people in employment in the West Midlands fell by 2,000 in the three months to June 2009, compared to the previous three months. At 2.41 million the number of employed people in the region is now some 66,000 lower than a year ago. The region's working age employment rate is now 70.3%, the same as the previous quarter, but 2.2 percentage points lower than the same period in 2008.

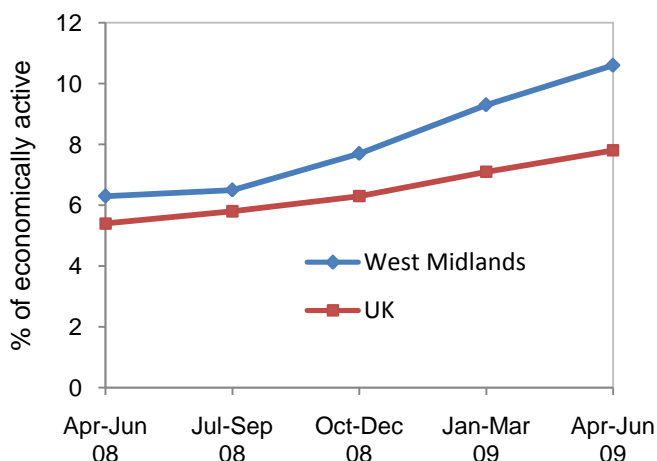
In the three months to June 2009 the number of people who are economically active rose by 37,000 to 2.70 million. This is 52,000 higher than a year ago. The region's economic activity rate has risen by 1.1 percentage points over the quarter to 78.8%. This is 1.2 points higher than the three months to June 2008.

**Employment Rate (Seasonally Adjusted)**



Source: ONS, Labour Market Statistics, August 2009

**Unemployment Rate (Seasonally Adjusted)**



Source: ONS, Labour Market Statistics, August 2009

The region's unemployment rate continues to rise and now stands at 10.6%. This is 1.3 percentage points higher than the three months to March 2009 and 4.2 percentage points above the rate it was a year ago. The West Midlands has the highest unemployment rate of the UK regions, 2.8 percentage points above the UK average and 0.8 percentage points above the next highest region, the North East.

The region now has some 285,000 unemployed people, up 39,000 over the last three months and 118,000 more than the same period last year. The increase over the last year is by far the highest of the UK regions, accounting for almost a fifth of the increase seen in England over this period.

### 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*	Apr - Jun 09	2,414	-2	-66	70.3	0.0	-2.2
Unemployment**	Apr - Jun 09	285	+39	+118	10.6	+1.3	+4.2
Economically active*	Apr - Jun 09	2,699	+37	+52	78.8	+1.1	+1.2
Economically inactive***	Apr - Jun 09	692	-36	-39	21.2	-1.1	-1.2
Claimant count <sup>+</sup>	July 09	178.9	+2.2	+76.7	6.5	+0.1	+2.8

\*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, August 2009

In the three months to June the West Midlands saw its number of economically inactive people fall by 36,000 to a new total of 692,000. This is 39,000 lower than the level a year earlier. The region's economic inactivity rate is now 21.2%, 1.1 percentage points less than the previous quarter and 1.2 points less than the same period the previous year.

## West Midlands Overview - Labour Market

The West Midlands saw its number of JSA claimants rise to 178,900 in July, 2,200 higher than in June and 76,700 higher than in July 2008. The region's claimant count rate now stands at 6.5%, second only to the North East. The region's rate rose by 0.1 percentage points over the month and by 2.8 percentage points over the year. Regional figures clearly mask significant differences within the region, with (non-seasonally adjusted) ward-level data highlighting that the claimant proportions stretch as high as 13.6%, in Aston, Birmingham far above the regional non-seasonally adjusted figure of 5.4%.

Claimants aged between 18 and 24 make up 29% of the total number of claimants in the region, some 52,200 people. At local authority district level, this age group makes up the greatest proportion of claimants in North Shropshire, Telford & Wrekin, Malvern Hills and Stoke-on-Trent, where they comprise 33% of the district's total claimant register.

Unlike previous recessions, recent months have seen a growing gap between the rates of people claiming to be unemployed according to the ILO definition and the rates of people registering to claim Jobseekers Allowance. The Department for Work and Pensions has now started an inquiry into this divergence. There could be a wide range of factors driving this change, with larger proportions of people either choosing not to claim JSA (opting, for example, to live off their redundancy packages) or finding they are ineligible to do so.

Jobcentre Plus reports that there were notifications for 2,498 redundancies in the West Midlands in July. The greatest proportion of these (29%) were in the Birmingham & Solihull sub-region, totaling 722. This was followed by the Marches (Herefordshire, Shropshire and Worcestershire), with 662 (27%); the Black Country with 577 (23%); Coventry & Warwickshire with 333 (13%); and Staffordshire with 204 (8%).

The number of notified vacancies held by Jobcentre Plus rose again in July to 27,570. This is up from June, when there were 25,133, but markedly fewer than the 32,106 held in July 2009. The 9.7% rise in vacancies over the month was greater than the England average of 5.8%. Comparing the number of vacancies to the number of claimants the region now has more than six claimants for every notified vacancy. The greatest number of notified vacancies within the region were for jobs within the banking, finance & insurance sector (14,005), accounting for just over half of vacancies. This was followed by jobs in public administration, education & health (5,450) and distribution, hotels & restaurants (4,437). In terms of occupation types, the greatest number of notified vacancies were sales occupations (3,635) and caring personal service occupations (3,388).

July's PMI for the West Midlands continues to report heavy job losses, making it now the fifteenth consecutive month of job-shedding. Whilst the pace of job losses has slowed since earlier in the year it remains significant compared to historic trends. The manufacturing sector continues to see steeper rates of employment loss than the service sector.

### **Sub-Regional Picture**

Whilst seasonally adjusted figures available at the regional level show that claimant levels continue to rise, recent months have seen fluctuations in the non-seasonally adjusted claimant count figures available for local authority districts, most likely as a result of seasonal working patterns. Between June and July a significant number of local authorities saw a decline in their number of claimants, however many continue to see substantial rises. Amongst upper-tier and unitary authorities the greatest rises in claimant levels over the month were seen in Birmingham (+767) and Warwickshire (+187), whilst the greatest falls were in Stoke-on-Trent (-65) and Wolverhampton (-51). Of the region's lower-tier authorities the greatest increases were seen in Nuneaton & Bedworth (+79) and Lichfield (+57), whilst the greatest decreases were in Newcastle-under-Lyme (-106) and Wyre Forest (-77).

In terms of claimant count proportions change over the last month has been relatively marginal compared to recent months, with the greatest changes being falls of 0.2 percentage point in Bridgnorth and Wyre Forest. All other districts saw their claimant proportion remain static over the month or a change of just 0.1 percentage point.

## West Midlands Overview - Labour Market

Over the last year Birmingham has seen the greatest absolute rise in claimant levels within the region, increasing by 14,902. The next highest rise amongst upper-tier authorities has been in Staffordshire (+9,936). Of lower-tier authorities the greatest increase in levels has been in Nuneaton & Bedworth (+1,950) and Cannock Chase (+1,724). In terms of relative growth in claimant levels the greatest increases have been in Wychavon (+145%) and Tamworth (+143%).

Over the year the largest increases in claimant count proportions have been seen in Walsall (+3.4 percentage points) and Sandwell and Redditch (both +3.1 percentage points). By contrast the smallest rises in claimant proportions have been in South Shropshire (+1.1 percentage points) and North Shropshire (+1.3 percentage points). Of the ten greatest increases in claimant rates amongst English local authorities over the last year, five are in the West Midlands.

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

	July 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>177,764</b>	<b>5.4</b>	<b>1,139</b>	<b>0.0</b>	<b>+75,403</b>	<b>2.3</b>	<b>74%</b>
<b>Herefordshire</b>	<b>3,009</b>	<b>2.9</b>	<b>-47</b>	<b>-0.1</b>	<b>+1,504</b>	<b>1.5</b>	<b>100%</b>
<b>Stoke-on-Trent</b>	<b>8,778</b>	<b>5.9</b>	<b>-65</b>	<b>0.0</b>	<b>+3,786</b>	<b>2.5</b>	<b>76%</b>
<b>Telford and Wrekin</b>	<b>4,831</b>	<b>4.8</b>	<b>-12</b>	<b>0.0</b>	<b>+2,466</b>	<b>2.4</b>	<b>104%</b>
<b>Shropshire</b>	<b>4,997</b>	<b>2.9</b>	<b>+2</b>	<b>0.0</b>	<b>+2,462</b>	<b>1.4</b>	<b>97%</b>
Bridgnorth	837	2.7	-38	-0.2	+452	1.5	117%
North Shropshire	1,050	3.0	+22	0.1	+467	1.3	80%
Oswestry	824	3.4	-5	-0.1	+392	1.6	91%
Shrewsbury and Atcham	1,736	3.0	+20	0.0	+894	1.6	106%
South Shropshire	550	2.4	+3	0.1	+257	1.1	88%
<b>Staffordshire</b>	<b>18,710</b>	<b>3.7</b>	<b>-49</b>	<b>0.0</b>	<b>+9,936</b>	<b>2.0</b>	<b>113%</b>
Cannock Chase	3,037	5.1	-48	-0.1	+1,724	2.9	131%
East Staffordshire	2,471	3.8	+15	0.1	+1,259	1.9	104%
Lichfield	2,026	3.5	+57	0.1	+1,163	2.0	135%
Newcastle-under-Lyme	2,848	3.7	-106	-0.1	+1,362	1.8	92%
South Staffordshire	2,187	3.4	+19	0.0	+1,074	1.7	96%
Stafford	2,200	2.9	+37	0.0	+1,078	1.4	96%
Staffordshire Moorlands	1,569	2.7	-14	-0.1	+882	1.5	128%
Tamworth	2,372	4.9	-9	0.0	+1,394	2.9	143%
<b>Warwickshire</b>	<b>12,135</b>	<b>3.8</b>	<b>+187</b>	<b>+0.1</b>	<b>+6,137</b>	<b>1.9</b>	<b>102%</b>
North Warwickshire	1,535	4.0	+26	+0.1	+905	2.4	144%
Nuneaton and Bedworth	3,968	5.3	+79	+0.1	+1,950	2.6	97%
Rugby	2,277	4.2	+39	+0.1	+1,143	2.1	101%
Stratford-on-Avon	1,693	2.5	+5	0.0	+945	1.4	126%
Warwick	2,662	3.1	+38	0.0	+1,194	1.4	81%
<b>Birmingham</b>	<b>49,151</b>	<b>7.8</b>	<b>+767</b>	<b>+0.1</b>	<b>+14,902</b>	<b>2.4</b>	<b>44%</b>
<b>Coventry</b>	<b>11,176</b>	<b>5.7</b>	<b>+24</b>	<b>0.0</b>	<b>+4,378</b>	<b>2.3</b>	<b>64%</b>
<b>Dudley</b>	<b>10,682</b>	<b>5.8</b>	<b>+68</b>	<b>0.0</b>	<b>+5,038</b>	<b>2.7</b>	<b>89%</b>
<b>Sandwell</b>	<b>12,952</b>	<b>7.4</b>	<b>+62</b>	<b>0.0</b>	<b>+5,386</b>	<b>3.1</b>	<b>71%</b>
<b>Solihull</b>	<b>5,429</b>	<b>4.5</b>	<b>+144</b>	<b>+0.1</b>	<b>+2,706</b>	<b>2.2</b>	<b>99%</b>
<b>Walsall</b>	<b>10,884</b>	<b>7.2</b>	<b>+112</b>	<b>0.0</b>	<b>+5,040</b>	<b>3.4</b>	<b>86%</b>
<b>Wolverhampton</b>	<b>11,385</b>	<b>7.9</b>	<b>-51</b>	<b>-0.1</b>	<b>+4,005</b>	<b>2.8</b>	<b>54%</b>
<b>Worcestershire</b>	<b>13,645</b>	<b>4.1</b>	<b>-3</b>	<b>0.0</b>	<b>+7,657</b>	<b>2.3</b>	<b>128%</b>
Bromsgrove	2,124	3.9	+24	+0.1	+1,147	2.1	117%
Malvern Hills	1,090	2.6	+11	0.0	+604	1.5	124%
Redditch	2,757	5.4	-44	-0.1	+1,595	3.1	137%
Worcester	2,696	4.5	+48	0.0	+1,415	2.4	110%
Wychavon	2,350	3.4	+35	+0.1	+1,389	2.0	145%
Wyre Forest	2,628	4.4	-77	-0.2	+1,507	2.5	134%

1 - 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, August 2009

# West Midlands Overview - Labour Market

## Regional Employment Monitoring

### Manufacturing

- **Metsec**, a Sandwell-based steel company is expected to make around a further 40 redundancies from its workforce of 360.
- **Arundel Fabs Ltd**, based in Ettingshall, is also making around 13 redundancies. The company makes steel lattice beams and is a sub-contractor of Metsec.

### Services

- **Virgin Media** confirmed that 250 jobs will be lost at its Brierley Hill offices with the closure of their customer services department.
- Engineering consultancy, **Halcrow** announced that it will be cutting 42 jobs from its offices in Worcester and Birmingham. The company is cutting around 6% of its workforce nationwide, some 269 jobs.
- **Waste management group Veolia** is currently consulting on making a third of its Tamworth-based refuse and recycling workers redundant

### Retail

- **Allied Carpets** has gone into administration. It is currently unclear what impact this will have on the region's stores.

### Public Sector

- The **Forensic Science Service** is undertaking a major restructure, which will include the closure of their Birmingham laboratories, affecting 150 jobs some of which are likely to be redeployed.
- The **University of Wolverhampton** has announced it will be cutting 250 out of its 2,700 jobs in order to help the university tackle its debts

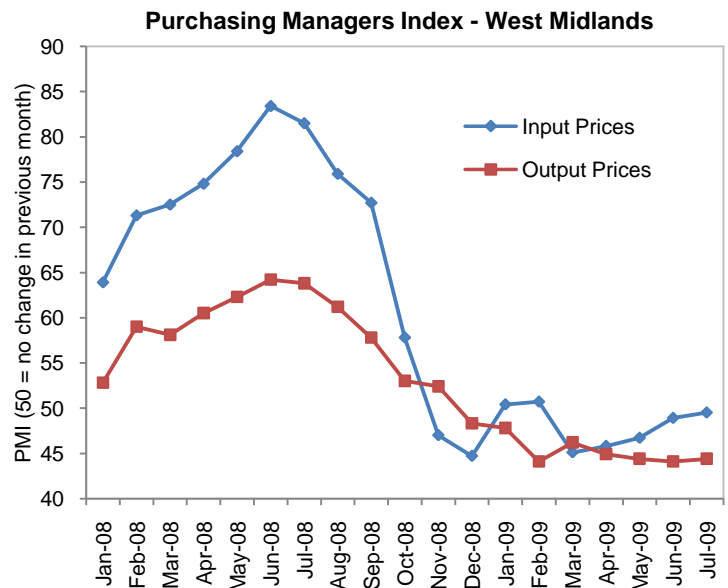
### And some regional good news stories.....

- 60+ ambulance drivers are to be recruited by the **West Midlands Ambulance Service** to improve the non-emergency transport service in North Staffordshire.
- **Holland & Barrett** has announced it will be relocating to a new £7.5 million headquarters in Nuneaton. This move could result in a doubling of the number of people the company currently employed in the town to 250.
- **New Look** has submitted plans to expand its Chesterton warehouses in Staffordshire, creating 300 – 450 new jobs.
- **Sackville Properties** has applied for planning permission to build two new office buildings in Warwickshire. It is thought the building could house more than 260 jobs.
- During August Wolverhampton-based construction company, **Carillion**, announced it has won three major contracts: a £500 million school-building project in the Durham; a £275 million contract to build a parliament building in Oman; and a £116 million contract to build a new prison in Scotland.
- Planning permission has been granted for an expansion of the **Morrisons** store in Leek, creating up to 100 jobs.
- Brierley Hill-based company **Hampson Industries** has announced that its aerospace tooling division has secured new contracts worth US\$ 4.0 million, designing and manufacturing tools for composite structures for the space satellite and military aerospace markets.
- **The University of Birmingham** has received permission to build a £5m 450-seat concert hall on its main campus.
- Dudley-based company, **Plaza Malls** is planning to convert up to nine former Woolworths stores across the region into small shopping malls, including the creation of about 100 jobs at 30 new shops in Dudley.
- The **RNLI** is to set up a new office with 11 staff in Solihull in September, in order to relocate some of its lifeboat fund-raising and communications work from Cardiff.
- **Base Architecture** have announced plans for a multi-million pound housing scheme in Market Drayon, North Shropshire which could create up to 150 jobs.
- August saw the opening of Shrewsbury's £3.5million **Rural Enterprise Centre**. The centre houses 32 young businesses and is home to more than 100 jobs.

## West Midlands Overview – Inflation & Investment

July's PMI again showed that businesses in the West Midlands are feeling particular pressures on their profit margins as their output prices fell at a sharper rate than their input prices. However whilst the region saw input prices fall in July, the UK as a whole saw a slight increase in input prices. But the region continued to see a greater fall in output prices than the UK average.

Both the manufacturing and service sectors saw their output prices fall due to high levels of competition. However the manufacturing sector saw sharper falls in input prices, with many saying they had been able to negotiate lower prices with suppliers. As a result businesses in this sector were better placed in the face of falling output prices. Those businesses in the region reporting increased input prices attributed them to higher fuel costs.



Source: PMI West Midlands. Markit Economics, August 2009

## West Midlands Overview – Housing, Property & Regeneration

The RICS reports that in July 23% of surveyors saw a fall in house prices, compared to just 2% seeing a rise in prices. However 76% reported not change in prices, the highest proportion so far in 2009. Land Registry figures for July 2009 show that the West Midlands region saw a slightly better rise in prices over the month (+1.8%) than the average for England and Wales (+1.7%) and that prices have fallen by less over the last year (-10.2%, compared to -11%).

Between June and July 2009 some parts of the region saw prices return to positive growth, whilst others continued to see price falls. The greatest increases over the month were seen in Shropshire and Sandwell where prices rose by 2.3% and 1.8% respectively. By contrast prices in Stoke-on-Trent fell by 2.0%. All parts of the region have seen average house prices drop considerably in the year to July 2009. The greatest falls in average prices have been in Stoke-on-Trent (-16.2%) and Birmingham (-16.0%), whilst the smallest drops have been in Shropshire (-9.1%) and Herefordshire (-9.5%).

### Average House Price Changes (July 2009)

	Monthly Change (%)	Annual Change (%)	Average Price (£)
West Midlands Region	1.8	-10.2	£131,244
Herefordshire	0.6	-9.5	£173,449
Stoke-on-Trent	-2.0	-16.2	£77,776
Shropshire	2.3	-9.1	£160,616
Staffordshire	-0.1	-12.2	£131,957
Warwickshire	0.5	-13.4	£154,124
Birmingham	-0.4	-16.0	£112,116
Coventry	0.8	-15.6	£105,958
Dudley	-0.9	-12.6	£121,098
Sandwell	1.8	-15.4	£96,947
Solihull	1.6	-14.1	£181,607
Walsall	0.7	-10.7	£114,148
Wolverhampton	-0.3	-13.0	£105,619
Worcestershire	0.4	-13.7	£160,783

District-level monthly and annual percentage changes are rolling four-monthly averages of the price changes over one month and 12 months respectively. All price changes are seasonally adjusted.

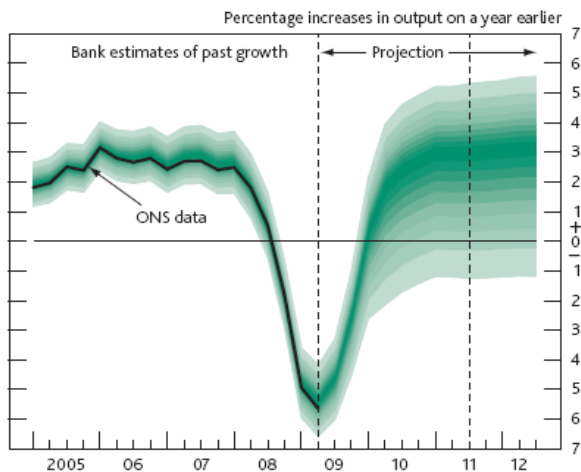
Source: Land Registry House Price Index, August 2009

# Spotlight on the Bank of England's August 2009 Inflation Report

The August Inflation Report notes that the world economy remained in recession with activity levels significantly lower than a year earlier, but it also notes more encouraging signs looking ahead. Financial conditions have remained fragile, but market strains have eased and bank funding conditions have improved a little. Confidence in both households and business has picked up since last autumn.

In the UK the recession appeared deeper than estimated, GDP fell further in the second quarter of 2009 but the pace of contraction was more moderate than previously estimated.

- Future prospects for domestic economic activity are underpinned by the stimulus from the easing of monetary and fiscal policy and the depreciation of sterling.
- Output will be boosted as firms undertake inventory adjustments.
- Credit conditions are likely to remain tight and past falls in asset prices and high levels of public and private debt will impact heavily on spending.
- The stimulus should lead to a slow recovery in economic activity but the timing and strength remains very uncertain.



Above: GDP projection based on market interest rate expectations and £175 billion asset purchases. Source : Bank of England 2009

## Outlook for GDP growth :-

- GDP was estimated to have fallen by 0.8% in Q2 2009.
- Downward revisions to growth around the turn of the year indicated that the recession was deeper than previously thought.
- Nominal spending (spending excl. VAT) was estimated to have fallen by 4% in the year to 2009 Q1.
- Business surveys indicated that the 'trough' in output was near.
- The projected distribution for GDP growth (left) is stronger than in the May Report, reflecting the increased monetary stimulus.

## Contributions to quarterly growth :-

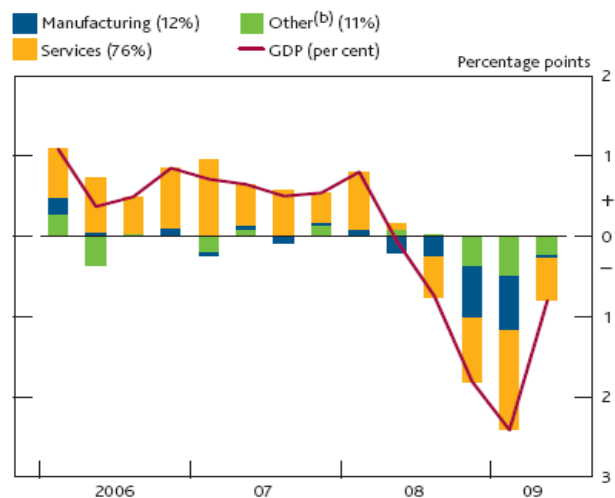
- Output is now estimated to have fallen by 5.6% over the past year, the largest fall since records began
- Output in manufacturing and services remains much lower than a year earlier – both sectors continued to contract in Q2 2009, although as the graph below shows, by less than in recent quarters.

## Overseas Trade:-

- Sharp fall in world trade has led to a fall in UK exports of 7% in Q1 2009
- The future of UK exports will depend on the timing and strength of the global recovery and reactions to changes in exchange rates.
- The depreciation of sterling should continue to encourage domestic and overseas spending to switch towards UK produced goods and services.

## CPI inflation:-

- fell back to below the 2% target, the labour market loosened and pay growth remained weak.
- Inflation is likely to be unusually volatile in the coming months, reflecting the drop in energy prices and reduction in VAT.
- The Bank predicts that inflation will temporarily fall below 1% in the autumn.



Above: Contributions to Quarterly Growth. Source : Bank of England 2009. (b) Other includes agriculture, mining, quarrying, electricity, gas and water supply and construction.