West Midlands monthly economic update report

November 2009

National Headlines:

- Revised figures report GDP shrank by -0.3% in Quarter 3 2009, slightly less than the initial estimate of -0.4%.
- Manufacturing output fell by -0.1% Q3, but monthly figures suggest positive growth between August and September, albeit from a low base.
- The Manufacturing PMI also reports improvements in October and for Services reported the strongest growth in businesses activity and new orders in over two years. The Construction PMI continued to see falling business activity and staffing levels in October, with a faster pace of decline than seen in September. However the residential sub-sector saw a second month of positive growth.
- In the three months to September 2009 the number of people employed in the UK rose by 6,000, the first increase since May – July 2008. However the total remains 490,000 less than a year earlier.
- The number of people employed part-time reached a record high of 7.66 million in the three months to September, with almost 1 million of these claiming they were not able to find full-time work.
- Unemployment rose by 30,000 in the three months to September, the smallest quarterly rise since March – May 2008. The UK's unemployment is now 7.8%, up 0.1 percentage points over the quarter.
- The Consumer Price Index shows that inflation was 1.5% in the year to October, up from 1.1% in September.

Regional Headlines:

- Businesses in the West Midlands saw a fourth month of growing business activity in October 2009. This was the region's strongest growth since September 2007, but remained slower than the UK average.
- In October businesses in the West Midlands saw the strongest growth in new orders of the UK regions.
- The October PMI saw an 18th month of falling staff levels, with the pace of job-shedding accelerating after a number of months in which it slowed. The region's job-shedding was second only to London during October.
- In the three months to September the number of employed people in the West Midlands was unchanged on the previous quarter at 2.41 million. The region's working age employment rate was 70.0% (down -0.2 points).
- The region's employment rate for men has fallen 4.1 percentage points over the last year to 72.1%, whilst the rate for women has increased by 0.7 percentage points to 67.6%.
- The number of unemployed people in the West Midlands fell by 14,000 in the three months to September 2009 to a new total of 270,000. This remains 95,000 more than a year earlier.
- The West Midlands' unemployment rate was 10.0% in the three months to September, down 0.5 percentage points over the quarter, but 3.4 points up over the year. The region has the highest rate of the UK regions.
- There were 2,797 notified redundancies in the region in October, almost double September's level and the highest since June. They included further manufacturing losses and a significant number from the public sector.
- During the three months to September the number of economically active people of working age in the region shrank by 14,000 and the number of economically inactive people of working age rose by 20,000. This highlights that whilst unemployment levels are falling, people are moving into inactivity rather than employment.
- All but two of the region's districts saw a fall in JSA claimants between September and October 2009. Increases in claimant proportions over the last year are now refocusing on long-standing areas of high unemployment.

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UK Overview – Output / Business Activity

Revised figures report that GDP contracted by -0.3% during Quarter 3 2009, less than the preliminary estimate of -0.4%. In contrast the Eurozone has now come out of recession, reporting GDP growth of -0.4% in Q3 2009, with France and Germany seeing their second quarter of positive growth.

Latest independent forecasts suggest that the UK economy will have contracted by a total of 4.5% during 2009. November's average forecast for 2010 remained unchanged on September's, with a return to growth of 1.2%. Medium-term forecasts indicate growth of 2.0%, 2.3% and 2.7% for 2011, 2012 and 2013. The Bank of England presented more optimistic forecasts in its November Inflation report, projecting growth of 2.1% in 2010 and 4% in 2011.

Manufacturing – the Index of Production saw manufacturing output contract by -0.1% during Q3 2009, but more volatile monthly figures showed growth of 1.6% between August and September (albeit from a low base). The greatest increase during Q3 was in transport equipment industries, whilst paper, printing and publishing industries saw a fall of 3.6% and machinery and equipment industries contracted by 3.2%. The Manufacturing PMI reports that the sector saw significant improvements in business activity and new orders in October, with the former increasing at the fastest rate since November 2007. However these improvements are from the historically low levels of recent months. Some businesses reported that growth in new orders has enabled the restarting of production lines and some restocking after the measures taken over the last year to scale back inventories. This suggests that improvements may be sustainable rather than short-term.

Automotive manufacturing – the Society of Motor Manufacturers and Traders (SMMT) reports that car production in October 2009 was -6.7% lower than a year earlier, the smallest fall reported during 2009. However commercial vehicle production has seen a much sharper decline, down -39.5% over the year. New car registrations in October were 31.6% higher than in October 2008. October saw the year's largest monthly increase, but year-to-date registrations remain 12.3% (236,790 units) lower than last year. Over 20% of the growth seen in October is attributed to the Car Scrappage Scheme which has now supported four months of growth in private registrations. Year-to-date registrations of private vehicles are now 3.3% higher than in 2008.

Services – the updated Q3 figures saw service sector GDP revised up slightly, contracting by just -0.1% rather than the initial estimate of -0.2%. Seven of the eleven sub-sectors contracted over the quarter, with hotels and restaurants reporting the greatest fall (-2.7%). The Services PMI for October reports the strongest growth in business activity and new orders in over two years. Businesses reported that their customers are increasingly willing to commit to previously delayed expenditure but noted that price discounting continues to support sales, albeit to a lesser degree. The sector continues to see job-shedding, but the rate of contraction slowed in October. Latest labour market figures show the finance and business services sector saw the largest fall in jobs between Q1 and Q2 2009 (-67,000 jobs).

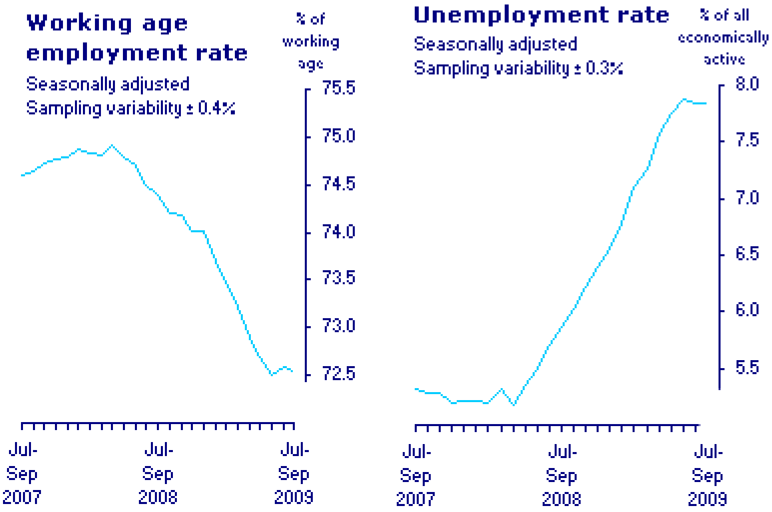
Construction – the Construction PMI reports that the sector continued to see falling business activity in October and at a faster pace than in September. The residential sub-sector reported a growth in business activity for a second month running, but the commercial and civil engineering sub-sectors saw further falls in activity, with the latter the fastest pace for seven months. However after 19 months of declining, new order levels were unchanged on September, indicating signs of stabilization. The sector continues to see excess capacity, with employment levels falling at a faster pace than in September. Likewise reduced demand has seen suppliers' lead times - and the requirement for sub-contractors - continue to fall.

Retail – the British Retail Consortium (BRC) reports that like-for-like sales in October 2009 were 3.8% higher than a year earlier, when sales had fallen as a result of the downturn in financial markets. October's growth rate is the best seen since 2002. The three months to October saw like-for-like sales grow by an average of 2.2%, with food sales growth at 2.6%, compared to 2.0% for non-food sales. October saw food sales growth slow to its lowest level in 19 months as a result of lower food price inflation. Clothing and footwear and homewares and furniture saw stronger growth than in September, albeit compared to weak performance a year ago. October's non-food, non-store sales (e.g. internet, catalogue, telesales) were 18% higher than a year ago and stronger than the 11.9% growth reported in September.

UK Overview – Labour Market

In the three months to September 2009 the number of employed people in the UK rose by 6,000, to 28.93 million. This is the first increase seen since May-July 2008, but the total remains 490,000 less than the same period a year earlier. The UK's working age employment rate fell to 72.5%, down 0.1 percentage points over the quarter and 1.9 over the year.

Full-time employment continued to fall over the quarter, dropping by 80,000 people to 21.26 million. In contrast, part-time employment increased by 86,000, reaching its highest level on record at 7.66 million. 997,000 people (both employees and self-employed people) claimed they were working part-time because they were not able to find full-time work. This figure was 30,000 higher than in the three months to June 2008 and the highest since records began in 1992.



Source: ONS, Labour Market Statistics, November 2009

Unemployment levels rose by 30,000 people over the quarter to reach 2.46 million. This was the smallest quarterly increase since March-May 2008, but there are now 629,000 more unemployed people in the UK than there were a year ago. The national unemployment rate rose by 0.1 percentage points over the three months to 7.8%, up 2.0 percentage points over the last 12 months. However the unemployment rate for 18-24 year olds rose by 0.7 percentage points over the quarter to 18.0%, the highest rate on record. The number of people claiming Jobseekers Allowance (JSA) rose by 12,900 people between September and October 2009 to total 1.64 million. This was the smallest monthly rise seen since April 2008. The claimant rate was unchanged over the month at 5.1%, but up 1.9 percentage points over the year.

The number of economically active people in the UK rose by 35,000 in the three months to September to total 31.39 million. This is now 140,000 higher than a year ago. The economic activity rate now stands at 78.9%, down 0.1 percentage points over the quarter and 0.2 over the year. The UK's working age economic inactivity rate has risen by the equivalent amounts to 21.1%. In the three months to September there were 41,000 more economically inactive people of working age. This brings the total to 8.00 million, 132,000 higher than a year ago.

In the three months to September 2009 205,000 people said they had been made redundant in the preceding quarter. This level is down 63,000 on the previous quarter and down 49,000 over the year. There were 428,000 job vacancies available in the three months to October 2009, 1,000 less than the previous quarter. This was the smallest quarterly fall seen since April 2008, but the current level is 154,000 less than a year ago and the lowest since records began in 2001.

UK Labour Market Statistics

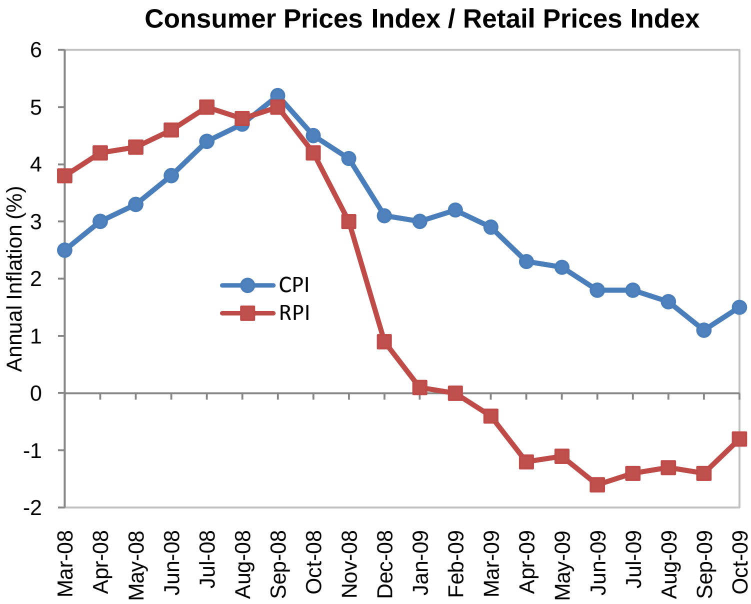
	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Jul - Sept 09	28,927	+6	-490	72.5	-0.1	-1.9
Unemployment**	Jul - Sept 09	2,461	+30	+629	7.8	+0.1	+2.0
Economically active*	Jul - Sept 09	31,389	+35	+140	78.9	-0.1	-0.2
Economically inactive***	Jul - Sept 09	7,997	+41	+132	21.1	+0.1	+0.2
Claimant count+	October 09	1,639.5	+12.9	+632.7	5.1	0.0	+1.9

*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, November 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 October 2009 the CPI rose by 1.5%, more than the 1.1% reported for the year to September. The largest upward pressure came from transport prices, in particular fuels and lubricants, second-hand car prices and air transport. Further upward pressures came from recreation and culture, food and non-alcoholic beverages and communication prices. The largest downward pressures came from furniture and household goods, and education.

The Bank of England forecasts that the CPI will increase steeply at the start of 2010 as a result of rising VAT and fuel costs. However CPI is expected to then fall again and remain under 2% in the medium-term.



Source: Office of National Statistics, November 2009

The Retail Price Index (RPI) which includes wider housing costs, fell by 0.8% in the year to October. This is less than the 1.4% fall seen in September. The largest upward pressure came from motoring expenditure. Housing also resulted in upward pressures, reflecting the improvement in house prices.

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
May 2009	-8.8	1.1	-0.3	0.4
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	-0.2	0.4	0.5
October 2009	0.1	2.6	1.7	0.2

Source: National Statistics, Producer Prices Index, November 2009

In October 2009 UK manufacturers saw input prices for their materials and fuels rise by 2.6% compared to September 2009. This rise over the month was the highest since June 2008 and was largely attributable to the rising cost of crude oil and, to a lesser extent, fuel costs and other imported parts and equipment. Prices were 0.1% higher than a year earlier, compared with a fall of 6.2% reported in September. When excluding those sectors that see more volatile price changes (food, beverages, tobacco and petroleum), manufacturers saw input prices rise by 1.2% over the month and by 0.8% over the year to October 2009.

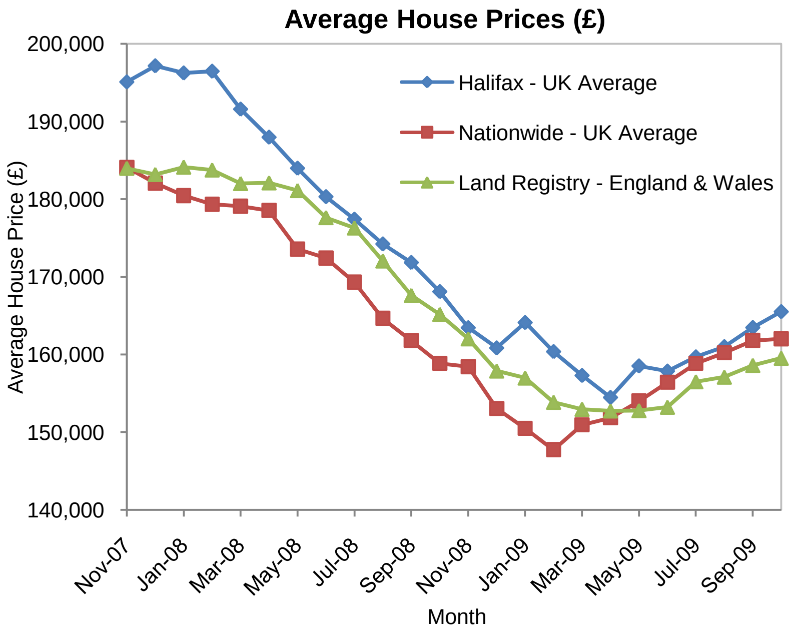
In terms of output prices for home sales, manufacturers saw prices increase by 0.2% between September and October 2009. The month-on-month rise was largely as a result of rising prices for electrical products, transport equipment, alcohol and tobacco and petroleum products. In the year to October output prices rose by 1.7%. This is the highest annual rise seen since March 2009 and compares with a rise of 0.4% reported in the year to September. When excluding volatile sectors, output prices rose by 0.3% over the month and by 2.0% over the year to October.

UK Overview – Housing, Property & Regeneration

The Land Registry reports that between September and October average house prices rose by 0.6%. The Nationwide and the Halifax report that house prices rose by 0.4% and 1.2% respectively over the month.

According to the Land Registry prices have fallen by 3.4% over the last year. The Halifax reports an annual fall of 4.7%, the lowest since May 2008. However the Nationwide reports a rise of 2% on prices a year ago, the first positive annual inflation they have seen since March 2008.

The Royal Institute of Chartered Surveyors (RICS) states that the net balance of surveyors seeing rising - rather than falling prices - over the last three months rose sharply in October to 34%, from 21% in September. However they note that a shortage of supply is limiting housing market activity.



Source: Hailfax / Nationwide / Land Registry HPI, November 2009

Whilst house prices continued to rise in October the pace slowed on that of recent months. Similarly the numbers of mortgages approved for house purchases also lost pace. Critically sales transaction levels remain low, with the first three quarters of the year only seeing 3.6% of housing stock change hands, compared to a 20-year average of 8.5%. The Nationwide notes that a longer and deeper recession, as suggested by the continued contraction of the economy in Q3, will hold back housing recovery. However it is also likely to mean that interest rates remain low, supporting affordability, encouraging new and existing borrowers and limiting the impact of employment and wage conditions on housing demand.

New Construction Orders in Great Britain

	Volume of Orders: Seasonally adjusted; Constant (2005) prices (£m)						
	Public Housing[1]	Private Housing[1]	Infrastructure	Public (excl. infra.)	Private Industrial	Private Commercial	All New Work
Apr 09[r]	183	551	710	1,149	134	655	3,383
May 09[r]	129	427	751	844	86	508	2,745
Jun 09[r]	185	339	524	628	160	598	2,433
Jul 09[r]	377	380	1,007	909	84	424	3,182
Aug 09[P]	280	321	707	657	98	512	2,576
Sept 09[P]	168	426	682	844	124	539	2,782

[1] Excludes orders for home improvement work; [P] Provisional figures; [r] Revised Figures

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

The total value of new construction orders in July - September 2009 was unchanged on the previous three months but 5% less than the same period in 2008. Orders in the year to September were 22% lower than the preceding year.

Private housing orders in the three months to September were 14% lower over both the quarter and the same period in 2008. In contrast public housing and housing association orders rose by 66% over the quarter and were 36% higher than a year earlier. Looking back over the last 12 months, private housing orders have fallen by 44%, whilst public housing and housing association orders have fallen by 7%.In the three months to September, infrastructure orders (public and private) were 21% higher than the previous quarter and 94% higher than the same quarter in 2008. Public non-housing orders (excluding infrastructure) were down 8% over the quarter but 13% higher than a year ago. Private commercial orders dropped by 16% over the three months and were down 53% on the same point in 2008. Similarly private industrial orders decreased by 19% over the quarter and by 48% over the year.

UK Overview – Confidence & Investment

Consumers

The Nationwide Consumer Confidence Index (NCCI) was unchanged between September and October 2009 at 72 points. On the Nationwide's barometer of confidence this score still classes as 'gloomy'. Amongst the sub-indices that feed into the overall Index, the Present Situation Index increased for a third consecutive month (up three points), however the Expectations Index fell by two points over the month.

10% of consumers claimed that they thought that current economic conditions are good, up from 7% last month. This was matched by a fall in the proportion of people who think that current conditions are bad, falling one percentage point to 68%. The proportion of people who think that there are now many or some jobs available fell by one percentage point to 22% between September and October. 66% of people think there are currently either not many or few jobs available, which is unchanged over the month.

In terms of future expectations, 42% of consumers believe that economic conditions will be better in six months' time, up three percentage points over the month. 15% believe conditions will be worse, the lowest proportion on record. 28% of consumers think there will be many or some jobs available in six months' time, up one percentage point over the month and 13 percentage points higher than at the start of the year. However 52% of consumers believe there will not be many or few jobs available in six months, up two percentage points over the month.

Consumers' confidence in future household incomes fell slightly over the month, with 17% believing that their income will be higher in six months' time and 11% believing it will be lower. Whilst the Spending Confidence still appears relatively resilient compared to a year ago, it showed some signs of consumer caution during October. The proportion of people who think now is a good time to make a major purchase (e.g. house, car) or buy household goods fell by three percentage points to 36% and 39% respectively. Consumers also now expect house prices to rise by 1.5% over the next six months, higher than the 1.2% growth expected in September.

Business

Business investment in Q3 2009 is estimated to have been 3% less than the previous quarter and 21.7% lower than in Q3 2008. This was the fifth consecutive quarter in which business investment levels have fallen, a cumulative fall of 24.1%, but the pace of decline in Q3 was significantly slower than the first half of 2009. Within these overall figures it is estimated that the manufacturing sector (both public and private) saw a 9.5% fall in investment over the quarter and was some 28.9% less than the same period in 2008. In contrast private sector services saw a 2.2% reduction over the quarter and 25.4% over the year, whilst the construction sector fell by 0.6% and 33.2% respectively.

The Bank of England notes that poor investment intentions reflect businesses' reluctance to commit to expenditure when the outlook for future demand remains unclear. Equally with many businesses continuing to operate with spare capacity, they see no pressing need to invest in machinery and/or buildings. Businesses also continue to cite financial constraints as a barrier to investment intentions. The Bank of England reports that credit conditions appeared to have eased in October, in particular for large businesses and those outside of the more vulnerable construction and property sectors. However they note that conditions still remain tighter than in mid-2008. Lending to companies fell across all of the economy's key sectors during Q3 and UK lenders expect demand for new lending to remain low for the rest of 2009. In parallel major UK lenders have reported that increasing competition has resulted in them narrowing some of the spreads on lending to larger businesses.

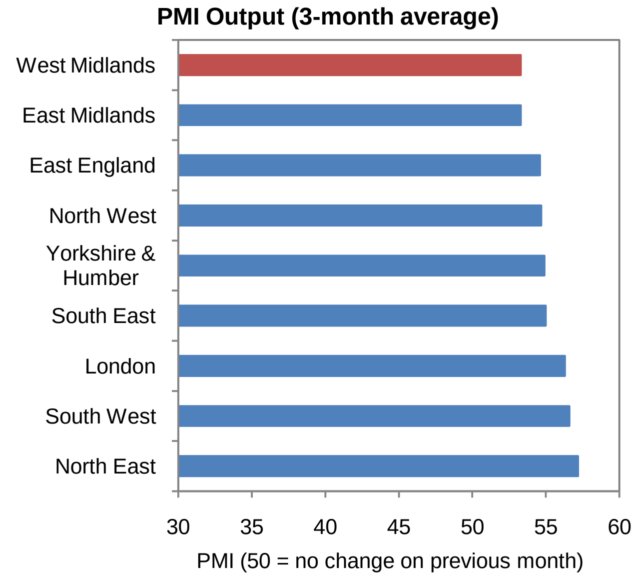
A number of expectations indices continue to report improved expectations for business activity. For example the CBI saw an output expectations index of +4 in October, a marked improvement on earlier in the year. Similarly the PMI surveys saw businesses reporting more positive outlooks in light of improving economic conditions.

West Midlands Overview – Output / Business Activity

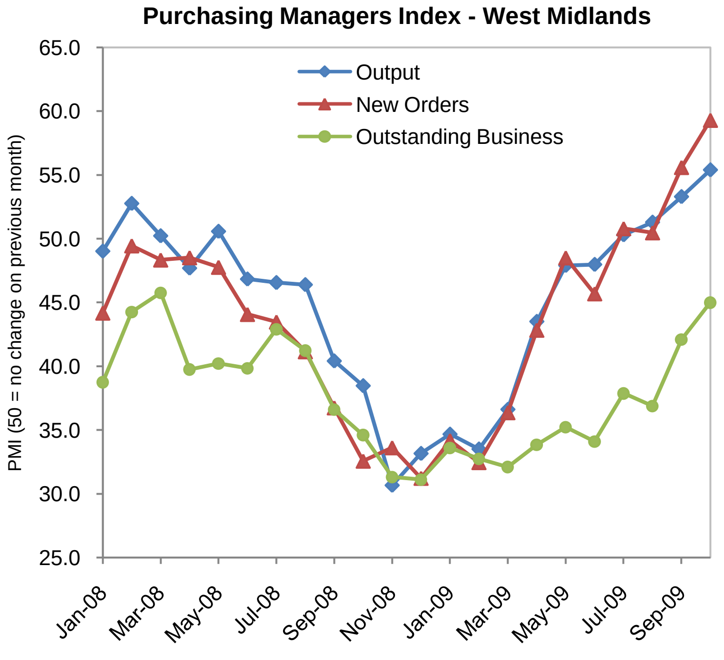
Produced by Markit Economics, the Purchasing Managers Index (PMI) surveys businesses from the manufacturing and service sectors to track a series of variables[1]. The Index gives the earliest indication of business conditions each month.

The PMI reports that businesses in the region saw a fourth month of growing business activity in October. Around 30% of the survey's panel reported a rise in business activity, with 19% reporting a fall. This rate of growth was the strongest the region has seen since September 2007. However it remained slower than the UK average and has been the lowest of the English regions over the last three months.

New orders increased significantly in October, the fourth month of improvements. It was the fastest rate of growth for 26 months and the greatest of the UK regions.



Source: PMI West Midlands, Markit Economics, November 2009



Source: PMI West Midlands, Markit Economics, November 2009

Businesses attributed rising new orders to improving economic conditions and new product launches. Some manufacturing businesses reported that their customers had started to rebuild their inventories after severe destocking earlier in the year.

Businesses continue to report declines in their levels of outstanding work, but the pace of decline in October was the slowest in 19 months. However this suggests that many firms still have excess capacity that could result in further job losses. October was the eighteenth month of falling staff levels, with cuts in both the manufacturing and service sectors. The pace of job-shedding accelerated in October, after a number of months in which it had slowed, and was second only to London amongst the UK regions.

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
June 2009	48.0	51.5	45.7	49.7	34.1	41.3
July 2009	50.3	53.5	50.8	53.2	37.9	42.7
August 2009	51.3	54.5	50.5	52.8	36.9	40.9
September 2009	53.3	54.3	55.6	53.7	42.1	42.1
October 2009	55.4	56.9	59.3	56.4	45.0	45.8

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

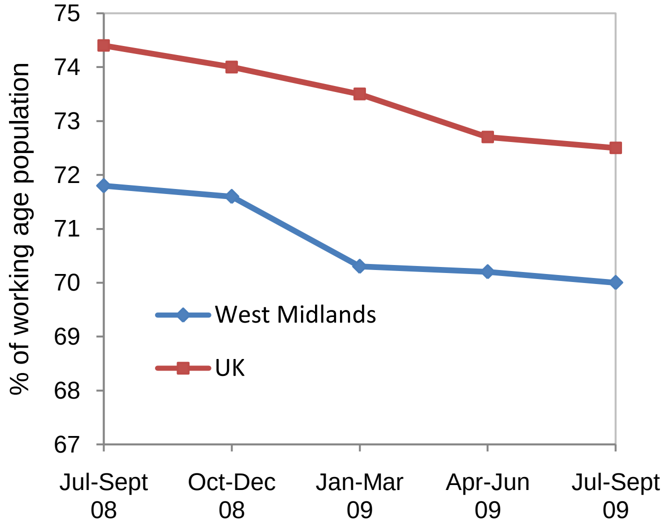
[1] The Index tracks output, new orders, employment and prices. An Index reading of 50.0 indicates no change on the previous month; readings above 50.0 signal an increase in activity and readings below 50.0 signal a decrease in activity on the previous month.

West Midlands Overview – Labour Market

At 2.41 million the number of employed people in the West Midlands was unchanged in the three months to September 2009 compared with the previous three month period. However this level was 45,000 fewer than the same period in 2008. The region's working age employment rate was 70.0%, down 0.2 percentage points over the quarter and by 1.8 points over the last year.

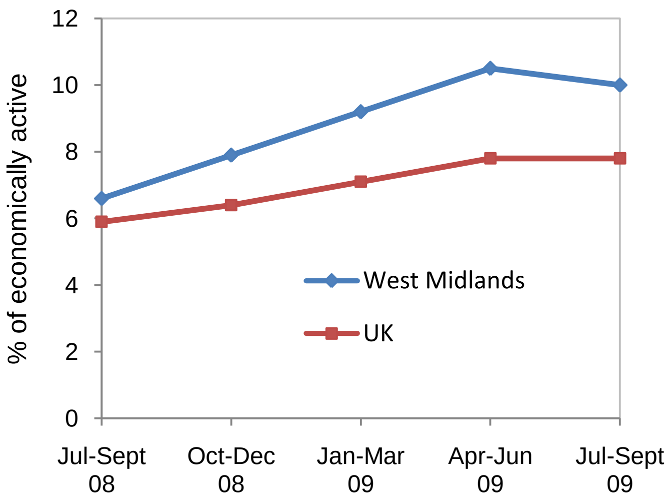
The region's employment rate for men has fallen by 4.1 percentage points over the last year to 72.1%, whilst the rate for women has increased by 0.7 points to 67.6%. As a result in the three months to September 2009 there were around 68,000 fewer men in employment in the region than a year earlier, but 23,000 more women in employment than at the same point in 2008.

Employment Rate (Seasonally Adjusted)



Source: ONS, Labour Market Statistics, November 2009

Unemployment Rate (Seasonally Adjusted)



Source: ONS, Labour Market Statistics, November 2009

In the three months to September 2009 there were around 270,000 unemployed people in the region, 14,000 fewer than three months ago, but 95,000 more than at the same point last year.

The West Midlands' unemployment rate was 10.0%. This rate is half a percentage point lower than the previous quarter but remains 3.4 points higher than a year earlier. During the quarter, men in the region had an unemployment rate of 12.2%, whilst the rate for women was 7.5%.

Despite the fall over the last quarter, the region continues to have the highest unemployment rate of the UK regions and is markedly above the UK average of 7.8%

The region had 186,100 JSA claimants in October 2009. This was 800 less than in September, but 69,900 more than in October 2008. The region's claimant rate is now 6.7%, unchanged from September, but 2.5 points above last October.

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*	Jul – Sept 09	2,414	0	-45	70.0	-0.2	-1.8
Unemployment**	Jul – Sept 09	270	-14	+95	10.0	-0.5	+3.4
Economically active*	Jul – Sept 09	2,684	-14	+49	78.2	-0.6	+1.0
Economically inactive***	Jul – Sept 09	714	+20	-34	21.8	+0.6	-1.0
Claimant count+	October 09	186.1	+0.8	+69.9	6.7	0.0	+2.5

*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, November 2009

West Midlands Overview – Labour Market

The number of economic active people in the region fell by 14,000 in the three months to September, bringing the regional total to 2.68 million. This level is 49,000 fewer than a year ago. These figures highlight that whilst people are starting to move out of unemployment, many are moving into economic inactivity rather than employment. 78.2% of the region’s working age population is now economically active. This is 0.6 percentage points less than the three months to June 2009, but a percentage point higher than the three months to September 2008. The number of economically inactive people of working age in the region rose by 20,000 in the three months to September to a total of 714,000. This is however still 34,000 less than a year ago. The region’s working age economic inactivity rate now stands at 21.8%, up 0.6 percentage points over the quarter but down 1.0 points over the year.

Jobcentre Plus reports that there were 2,797 notified redundancies made within the region during October. This is the highest number of notified redundancies since June 2009 and almost double the number seen during September (1,443). Just over a quarter of these notified redundancies (727) were in the Birmingham & Solihull sub-region. A further 667 (24%) were in the Coventry & Warwickshire sub-region. The Black Country and the Marches sub-regions saw 592 and 586 notified redundancies respectively. The Staffordshire sub-region saw the lowest number of notified redundancies during October (225; 8%). October continued to see a significant number of notified redundancies from the public sector (493; 17%) as well as further losses in the manufacturing sector (923; 33%).

Jobcentre Plus held 37,978 notified vacancies in the West Midlands in October 2009, a 27% increase on the 29,895 held in September 2009. This is more than the average increase seen for England, up 21%. The number of notified vacancies in the West Midlands in October was just 2% fewer than that held in October 2008. This compares to an England average of 4% less. Of the vacancies held in the region the greatest shares were in Elementary Administration and Service Occupations (16%) and Elementary Trades, Plant and Storage Related Occupations (13%). The greatest percentage increase in vacancies over the month was seen for Health and Social Welfare Associate Professionals, with the number of notified vacancies almost doubling from 699 to 1,395. The greatest absolute rises between September and October were seen for Elementary Administration and Service Occupations (+2,259) and Sales Occupations (+1,732).

Sub-Regional Picture

Non-seasonally adjusted figures show that the number of JSA claimants in the region fell by 2,482 people between September and October 2009. All of the region’s districts saw their claimant levels fall, with the exception of Wolverhampton and Wyre Forest districts which saw increases of 52 and 3 respectively. Amongst the region’s upper-tier authorities, the largest falls over the month were seen in Worcestershire (-450) and Birmingham (-429). Of lower-tier authorities the greatest decreases were in Redditch (-177) and Nuneaton & Bedworth (-135). Between September and October, no district within the region saw an increase in their claimant proportion. Redditch saw the greatest fall in claimant proportion, down 0.3 percentage points to 4.9%.

Birmingham continues to have the largest number of JSA claimants in the region (51,182), followed by Staffordshire (18,265). Amongst the region’s lower-tier districts Nuneaton & Bedworth and Cannock Chase have the highest claimant levels with 3,844 and 2,947 claimants respectively. Malvern Hills district has the lowest number of JSA claimants (1,047). Wolverhampton and Birmingham have the region’s highest claimant proportions, at 8.2% and 8.1% respectively. The lowest claimant proportion is in Stratford-on-Avon (2.3%).

Over the last year the largest absolute rise in claimant levels has been seen in Birmingham (+15,202). Of the region’s lower-tier authorities Nuneaton & Bedworth has seen the greatest rise over the year, up 1,545. By contrast Malvern Hill has seen the smallest rise, 519 people. The four Black Country districts have seen the largest increases in their claimant proportion over the last year: Walsall up 3.1 percentage points; Sandwell up 3.0 points; Wolverhampton up 2.7

West Midlands Overview – Labour Market

points; and Dudley up 2.5 points. In relative terms Malvern Hills and Stratford-on-Avon districts have seen the largest percentage rise in claimant numbers over the last 12 months, each rising 98% albeit from relatively low bases. In contrast Birmingham has seen its claimant level rise by 42%.

Local Authority Claimant Count Levels and Proportions[1] (non-seasonally adjusted)

	October 2009		Change on Month		Change on Year		
	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Percentage Rise in Claimant Level
Regional	179,907	5.5	-2,482	0.0	+67,532	+2.1	60%
Herefordshire	2,831	2.7	-172	-0.2	+1,068	+1.0	61%
Stoke-on-Trent	8,738	5.9	-104	0.0	+3,362	+2.3	63%
Telford and Wrekin	4,640	4.6	-166	-0.2	+1,935	+1.9	72%
Shropshire	4,836	2.8	-86	-0.1	+1,931	+1.1	66%
Staffordshire	18,265	3.6	-403	-0.1	+7,745	+1.5	74%
Cannock Chase	2,947	5.0	-58	-0.1	+1,256	+2.1	74%
East Staffordshire	2,386	3.6	-61	-0.1	+958	+1.4	67%
Lichfield	1,882	3.2	-59	-0.1	+848	+1.4	82%
Newcastle-under-Lyme	2,923	3.8	-12	0.0	+1,233	+1.6	73%
South Staffordshire	2,171	3.4	-68	-0.1	+883	+1.4	69%
Stafford	2,222	2.9	-27	-0.1	+853	+1.1	62%
Staffordshire Moorlands	1,418	2.5	-76	-0.1	+613	+1.1	76%
Tamworth	2,316	4.8	-42	-0.1	+1,101	+2.3	91%
Warwickshire	11,700	3.6	-411	-0.2	+4,935	+1.5	73%
North Warwickshire	1,447	3.8	-78	-0.2	+602	+1.6	71%
Nuneaton and Bedworth	3,844	5.2	-135	-0.1	+1,545	+2.1	67%
Rugby	2,123	3.9	-82	-0.1	+889	+1.6	72%
Stratford-on-Avon	1,612	2.3	-98	-0.2	+799	+1.1	98%
Warwick	2,674	3.1	-18	0.0	+1,100	+1.3	70%
Birmingham	51,182	8.1	-429	0.0	+15,202	+2.4	42%
Coventry	11,294	5.7	-136	-0.1	+4,339	+2.2	62%
Dudley	11,090	6.0	-42	-0.1	+4,684	+2.5	73%
Sandwell	13,718	7.8	-79	-0.1	+5,226	+3.0	62%
Solihull	5,503	4.5	-46	0.0	+2,469	+2.0	81%
Walsall	11,212	7.5	-11	0.0	+4,552	+3.1	68%
Wolverhampton	11,821	8.2	+53	0.0	+3,944	+2.7	50%
Worcestershire	13,077	3.9	-450	-0.1	+6,140	+1.8	89%
Bromsgrove	2,169	3.9	-51	-0.1	+1,009	+1.8	87%
Malvern Hills	1,047	2.5	-64	-0.2	+519	+1.2	98%
Redditch	2,478	4.9	-177	-0.3	+1,129	+2.2	84%
Worcester	2,541	4.3	-85	-0.1	+1,103	+1.9	77%
Wychavon	2,215	3.2	-76	-0.1	+1,085	+1.6	96%
Wyre Forest	2,627	4.5	+3	0.0	+1,295	+2.2	97%

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, November 2009

West Midlands Overview – Labour Market

Regional Employment Monitoring

Manufacturing

- **Agco** is to shed up to 72 of the 500 jobs at its agricultural equipment manufacturing business in Stoneleigh, Warwickshire.
- **Fox's Biscuits** have announced that they plan to shed 100 jobs from the factory in Uttoxeter as a result of the introduction of new robotic technology which will provide packing functions.
- **The Dairy House** is to close its dairy products business in Herefordshire with the loss of up to 30 jobs.
- **Stadco** may close its Coventry factory, according to local media.
- **JCB** is to shed up to 196 jobs at five construction equipment sites across the UK including Rugeley.

Services

- **Ericsson** has announced the withdrawal of its UK-based research and development and global service delivery activities from Ansty Park, near Coventry, affecting 700 employees by mid-2010.
- **Richmond Motors Group** has gone into administration, 69 jobs will be lost from across the region.
- **Phones 4u** is considering closing its call centre in Newcastle-under-Lyme, affecting 38 members of staff.

Public sector

- **Telford and Wrekin Council** has started a consultation involving council workers on changes that would involve a new structure from next April. It is not yet clear how many jobs will be lost.

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

- **HSBC** is to create up to 500 jobs in Birmingham, following the announcement of job losses in other parts of the UK.
- **European Metal Recycling** plans to open an energy production plant which will potentially create 500 jobs in the Black Country.
- **Sainsbury's** are to create 60 jobs in Walsall as part of expansion plans in the town.
- **Davies Managed Systems** of Stoke on Trent are to recruit 50 additional staff members immediately and plan to recruit a further 50 over the next 12 months.
- **Big Green Book** will recruit up to 20 staff at its environmental business network in Oswestry over the next year.
- **Royal Mail** has won permission to build a new sorting depot at Orchard Retail Park in Coventry, which will employ 250 staff.
- **Alworths Ltd,** a retail chain created by an ex-Woolworths employee is set to move into the vacant premises once occupied by Woolworths in Evesham creating 32 jobs.
- **Royal Mail** in Etruria Staffordshire is to employ an extra 724 temporary staff to help meet demand over the busy Christmas period.

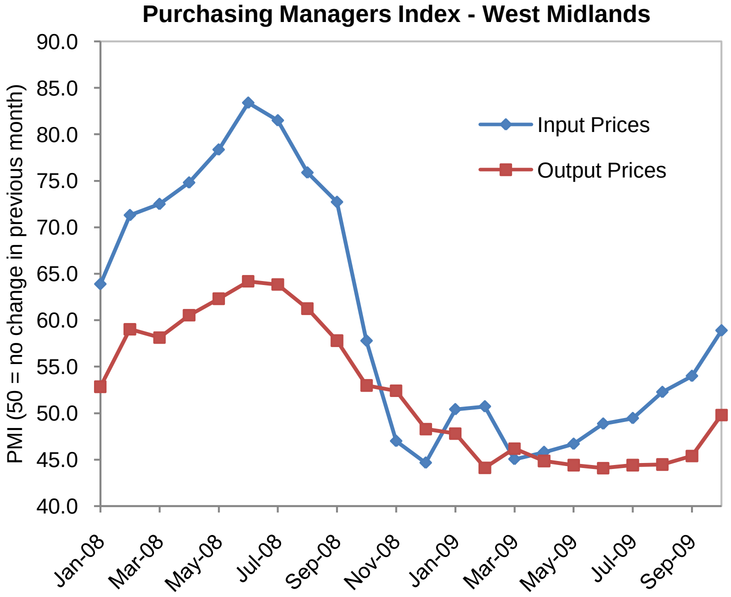
Other business news …

- **Linpac**, the Birmingham-based packaging group with 9,000 staff, is expected to be sold by Montagu Private Equity to a consortium of banks.
- **Areva T&D** has won approval for the £55m redevelopment of its energy equipment factory in Stafford, including 335,000 sq ft of new offices and laboratories, which will secure 1,300 jobs on site.
- **Mercia Waste Management** is planning to build a £120m energy-from-waste facility at the Hartlebury Trading Estate in Kidderminster by 2014.
- **Wedgwood** has confirmed plans to transfer up to 100 jobs from Stone to a new 128,000 sq ft distribution centre in Stafford from February.
- **Kenmore**, the real estate fund-management group behind the redevelopment of No 1 Snow Hill Plaza in Birmingham, has gone into administration.
- **Stone Group** is relocating its Staffordshire-based computer manufacturing business from Stone to the Stafford 88 development near junction 13 of the M6.

West Midlands Overview – Inflation & Investment

The PMI reports that businesses in the West Midlands saw a significant increase in input costs during October. The rise was greater than that seen in September and in excess of the increase seen nationally. Businesses attributed this rise to fuel and raw materials prices, in particular the price of steel-based products. The weakness of the pound has also contributed to rising input costs during October.

In contrast businesses reported that October saw a further fall in output prices. This was the eleventh consecutive month of falling prices, although the slowest rate of decline of recent months. Many businesses claim they have been unable to pass rising input prices on to customers, due to high levels of competition. In addition some businesses reported that higher operating costs have limited their ability to discount prices.



Source: PMI West Midlands. Markit Economics, November 2009

West Midlands Overview – Housing, Property & Regeneration

Average house prices in the West Midlands fell by 0.6% between September and October 2009, compared with an average rise of 0.6% across England and Wales. The region has seen the sharpest fall in prices over the last year, down 6.3%, compared to an average of -3.4% for England and Wales.

Most parts of the region saw rising prices between September and October[1], with just Herefordshire seeing a fall in prices. However the number of transactions taking place remains historically low so figures are based on relatively small numbers of sales. Over the last year, Stoke-on-Trent has seen the largest fall in average house prices, down 12.3%. In contrast Solihull has seen a reduction of just 4.4%.

RICS reports that the net balance of surveyors reporting rising rather than falling prices in the West Midlands over the last three months was 3% in October, unchanged on September.

Average House Price Changes (October 2009)

	Monthly Change (%)	Annual Change (%)	Average Price (£)
West Midlands	-0.6	-6.3	£131,893
Herefordshire	-1.3	-6.2	£173,481
Stoke-on-Trent	0.0	-12.3	£77,001
Shropshire	+0.3	-8.7	£158,025
Staffordshire	+0.7	-8.3	£133,880
Warwickshire	+0.1	-7.9	£155,567
Birmingham	+0.8	-8.9	£115,996
Coventry	+0.6	-8.4	£110,017
Dudley	+1.1	-6.7	£125,126
Sandwell	+1.3	-6.1	£102,095
Solihull	+1.5	-4.4	£190,555
Walsall	+0.6	-10.6	£110,276
Wolverhampton	+1.0	-8.3	£107,227
Worcestershire	+0.5	-8.9	£162,802

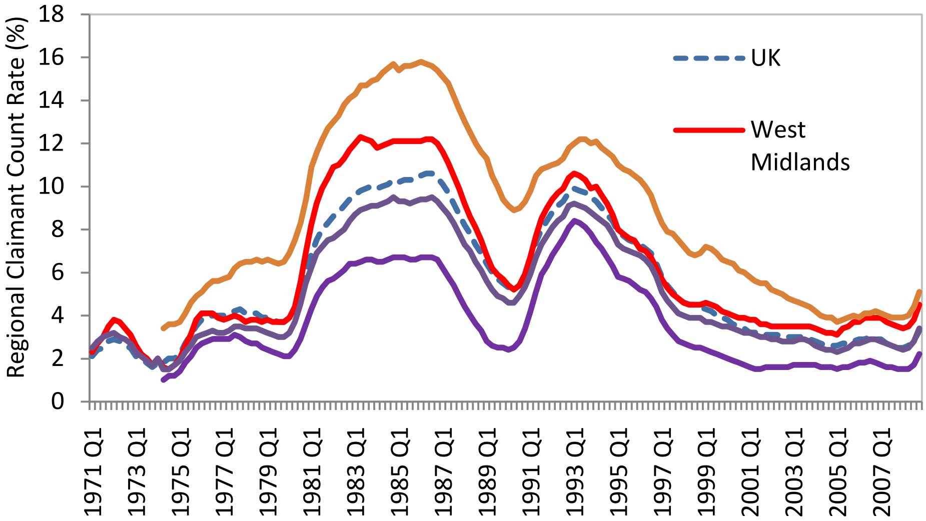
1 District-level monthly and annual percentage changes are rolling four-monthly averages of the price changes over one month and 12 months respectively. Regional figures are for single month. All price changes are seasonally adjusted.
Source: Land Registry House Price Index, November 2009

Spotlight: Why has the West Midlands been so vulnerable to Recession?

The region has been impacted very severely by the downturn, raising the question as to why it has been so vulnerable to recession? Certainly, across a range of indices the region appears to have been impacted to a greater degree. For example, the PMI indicates that the West Midlands has seen the sharpest fall in business output of the English regions over the past year and the region's businesses have shed jobs at the fastest rate. As a result, the West Midlands now has the highest unemployment rate in the UK. The rate of unemployment for those with no qualifications has risen especially rapidly (by twice that of those with qualifications).

Looking from a longer term perspective, the claimant count rate in the West Midlands tends to peak at a higher level than the UK level during recessions. This may reflect the additional impacts of destocking in manufacturing.

However, since the late 1990s the chart also shows that the claimant count rate in the West Midlands has not returned to the UK level. This is also apparent for GVA, which has been growing less rapidly than for other regions of the UK over roughly the same time period.



Regional Claimant Count Rate 1971-2007

(Source: ONS Regional Claimant Count Rates)

While the reasons for this longer term deterioration in regional economic performance are not fully understood, it may well be that it these weaknesses in performance – that have been evident for some time - which help to explain why the recession has impacted so much on the region.

These underlying 'structural vulnerabilities' include, for example:

- The industrial structure of the West Midlands Economy, the reliance upon manufacturing industry and more specifically the significant presence of low-technology sectors and 'mature' industry sectors, together with the proportionately lower level of representation in knowledge economy sectors
- Lower levels of growth in knowledge economy sectors and particularly sectors such as finance, business and professional services which have been a key driver of growth over the past decade
- Fewer 'high-growth' firms, both in manufacturing specifically and across the economy more generally
- The highest proportion of the working age population with no qualifications
- An economy which has been largely driven over the recent past by growth in the public sector, which to some extent has masked the relatively poor performance of the private sector in the region.

As a result, GVA per head has been deteriorating vis-a-vis other regions for some time, with the region slipping from 5th place in 1998 to 7th in 2007. From this longer term perspective it is clear that weaknesses in the regional economy have been evident for many years; recession has in many ways just exaggerated these. Further work will be required both to pinpoint these problems as well as the solutions.