

West Midlands monthly economic update report

February 2010

National Headlines:

- GDP is now estimated to have grown by 0.3% in Quarter 4 2009, up from the provisional estimate of 0.1%.
- Manufacturing output in December was 0.9% higher than in November but still 1.9% lower than a year before.
- The Manufacturing PMI reported the first employment growth for 21 months in January, although redundancies were still particularly evident within the metals and engineering sub-sectors.
- Car production rose for the third month in January, whilst car registrations were 30% higher than a year earlier.
- Whilst January's Construction PMI reported a further decline in business activity for the sector as a whole, the residential sub-sector saw a fifth month of improving business activity.
- In the three months to December 2009 the number of people in employment in the UK fell by 12,000. The total fell by 428,000 during 2009 to 28.91 million.
- The number of unemployed people in the UK fell by 3,000 during Q4 2009 to 2.46 million, however the number who had been unemployed for over a year rise by 37,000 to 663,000.
- The UK's unemployment rate was unchanged in Q4 at 7.8%, but this was 1.4 percentage points up over the year.
- The number of Jobseekers Allowance (JSA) claimants rose by 23,500 between December 2009 and January 2010 after having fallen for the previous two months.
- Annual inflation (Consumer Price Index) rose to 3.5% in the year to January 2010 (up from 2.9% in December), largely driven by the rise in VAT and increasing oil prices.

Regional Headlines:

- The West Midlands PMI saw further growth in business activity during January, but at the slowest pace since September 2009. Many businesses attributed this easing to poor weather.
- Many businesses continue to be working below full capacity, with January's PMI recording the 29th month of shrinking levels of outstanding work and the region seeing a faster rate of decline than the UK average.
- Businesses also reported a 21st month of job-shedding. Whilst this was at the slowest rate since June 2008, it was the fastest rate of the English regions.
- Businesses reported the steepest rise in input prices since September 2008, due to fuel and raw materials.
- The number of people in employment in the West Midlands rose by 18,000 during Q4 2009 to 2.43 million, whilst unemployment fell by 16,000 people to 252,000. The region's unemployment rate fell by 0.6 percentage points during Q4 to 9.4%. This is the highest of the UK regions.
- There were 2,000 more economically inactive people of working age in Q4 2009 than the preceding quarter, but at 717,000 the total remained 2,000 less than in Q4 2008.
- There were 1,500 more JSA claimants in the region in January 2010 than a month earlier. Non-seasonally adjusted figures show a rise of 7,608 over the month.
- The West Midlands saw 2,589 notified redundancies during January, more than double December's total.
- The number of notified vacancies in the region fell by a third between December and January.

UK Overview – Output / Business Activity

GDP estimates for Q4 2009 were revised up in late February to growth of 0.3% (from the provisional estimate of 0.1%). The average of independent forecasts estimate that the UK economy will have contracted by 4.7% during 2009 and will see growth of 1.4% in 2010 (both unchanged on last month's forecasts) and 2.1% in 2011. Whilst the IMF is slightly more optimistic and expects the UK economy to grow by 1.3% in 2010 (up from its previous forecast of 0.9%), the EC now expects the UK economy to grow by just 0.6pc in 2010 (compared with the 0.9pc growth it previously predicted).

Manufacturing – The Index of Production reports that manufacturing output in December 2009 was 1.9% lower than a year earlier but 0.9% higher than in November. The largest increases over the month were in transport equipment industries (+2.5%); paper, printing and publishing industries (+1.5%); and electrical and optical equipment industries (+1.3%). The largest falls were in machinery and equipment (-1.6%) and food, drink and tobacco (-0.8%). January's Manufacturing PMI saw further improvements in business activity. Output has now risen for eight months running with the pace of growth in January a 43-month high. New orders also continued to grow and at the fastest rate for six years, supported by strong domestic demand and the strongest growth in new export orders on record. Businesses attributed rising sales to improving economic conditions, competitive pricing and clients' low stock levels, whilst growing exports were attributed to the relative weakness of Sterling. Whilst improvements in activity and new orders were seen across the sector, larger businesses tended to see stronger growth than small businesses. The PMI reports that the sector saw a slight increase in employment in January (the first for 21 months), although there were still reports of redundancy programmes, in particular within the basic metals and mechanical engineering sub-sectors.

Automotive manufacturing – the Society of Motor Manufacturers and Traders (SMMT) reports that car production rose for a third month running in January 2010 and was 65% higher than the very low volumes a year earlier. Car registrations in January 2010 were 30% higher than a year earlier, with 18% of sales attributed to the Car Scrappage Scheme (now extended to the end of March). This better than expected increase, was the seventh month of rising registrations and reflected some recovery in fleet and business sales. But looking forward the SMMT expects modest growth in production during 2010 and for consumer demand to drop by 9% to the lowest since 1993.

Services – The Services PMI also saw businesses reporting that January's poor weather conditions slowed growth in business activity and new orders to their slowest for five months, with the Hotels and Restaurants sub-sector seeing particularly steep falls. The Service sector appears to have been worse hit by snow than manufacturing or construction. However January was the seventh month of rising new orders, with the strongest growth seen in the Business Services sub-sector. The sector as a whole reported further job-shedding during January (the 21st consecutive month). However the pace of staff cuts was slow and there were reports of businesses recruiting, particularly in Financial Intermediation.

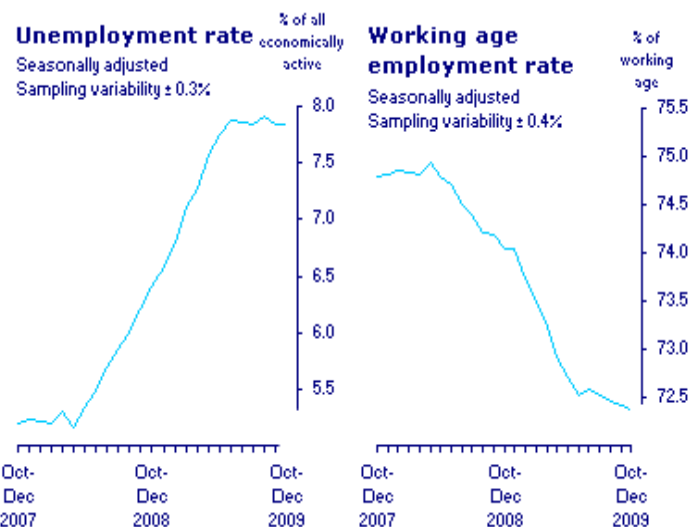
Construction – the Construction PMI saw a continued decline in business activity during January, albeit at the slowest pace in the sector's 23-month contraction. For the fifth consecutive month only the residential sub-sector saw a growth in business activity (although at a slower pace than in December), with the commercial and civil engineering sub-sectors seeing eased rates of decline. New orders fell again in January and at a faster pace than in December. Businesses attributed poor new order levels on continued weaknesses in client confidence, funding constraints, competitive pressures and the poor weather. The sector continued to shed jobs during January although at the slowest rate since August 2008. Sub-contracting also fell over the month, with sub-contractor availability improving and their charges falling. The sector saw its sharpest fall in purchasing levels in January for almost two years, with many businesses saying they will deplete existing inventories before ordering new stock.

Retail – The British Retail Consortium reports that like-for-like sales in the three months to January 2010 were 2.0% higher than a year earlier. Food sales saw growth of 2.5%, compared to 1.6% growth for non-foods sales. More volatile monthly figures saw January's like-for-like sales shrink by 0.7% on the year before, with food sales boosted by the snow at the start of January and non-food sales recovering slightly as the weather improved in the second half of the month. The BRC notes that some consumers had brought their purchases forward to December to avoid the rise in VAT. January's non-food, non-store sales (internet, mail order and phone sales) were 14.6% higher than the year before. This was much less than the annual growth of 26.5% seen in December (the strongest growth seen in 2009).

UK Overview – Labour Market

In Q4 2009 the number of people in employment in the UK fell by 12,000 to a total of 28.91 million. In total employment has fallen by 428,000 over the year to December 2009. The working age employment rate dropped by 0.1 percentage points over the quarter to 72.4% and by 1.7 points over the year. The employment rate for men fell by 0.3 points over the quarter to 75.3%, whilst the rate for women was unchanged at 69.2%.

The number of people in full-time work continued to fall during Q4, dropping by 37,000 to 21.22 million, whilst the number of people in part-time work rose by 25,000 to 7.67 million. The number of employed and self-employed people who claimed they were working part-time because they were unable to find full-time work rose by 37,000 over the quarter to 1.04 million. This is the highest since records began in 1992.



Source: ONS, Labour Market Statistics, February 2010

The number of unemployed people in the UK fell by 3,000 in Q4 2009 to 2.46 million. This total was 448,000 more than a year earlier. The UK's unemployment rate now stands at 7.8%, unchanged on the previous quarter but 1.4 percentage points higher than in Q4 2008. During the quarter there were 37,000 more people who had been unemployed for over a year, bringing the total to the highest since September 1997 (663,000). The number of Jobseekers Allowance (JSA) claimants rose by 23,500 between December and January, after two months in which the total had fallen. At 1.64 million the current claimant register includes 381,800 more people than in January 2009. The UK's claimant rate is 5.0%, 0.1 percentage points higher than in December and 1.2 points higher than the previous year.

In the three months to December 2009 the number of economically active people fell by 15,000. However the new total of 31.36 million remains 20,000 higher than the same period a year earlier. The working age economic activity rate now stands at 78.7%, down 0.2 percentage points over the quarter and down 0.5 points over the year. The working age inactivity rate rose by corresponding amounts to a current rate of 21.3%. This reflects 72,000 more economically inactive people of working age in Q4 2009 and a rise of 241,000 during the whole of 2009, bringing the current total to 8.08 million. This rise has been largely driven by the number of students not in the labour market, rising by 62,000 over the quarter to 2.26 million the highest since records began in 1993.

During Q4, the Labour Force Survey found that 168,000 had been made redundant in the preceding three months. This was 36,000 less than in Q3 and 94,000 less than a year earlier. The number of notified vacancies held by Jobcentre Plus rose by 49,000 in the three months to January 2010, to 479,000, but this was 24,000 fewer 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*	Oct – Dec 09	28,905	-12	-428	72.4	-0.1	-1.7
Unemployment**	Oct – Dec 09	2,457	-3	+448	7.8	0.0	+1.4
Economically active*	Oct – Dec 09	31,363	-15	+20	78.7	-0.2	-0.5
Economically inactive***	Oct – Dec 09	8,077	+72	+241	21.3	+0.2	+0.5
Claimant count [†]	Jan 10	1,635.6	+23.5	+381.8	5.0	+0.1	+1.2

*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

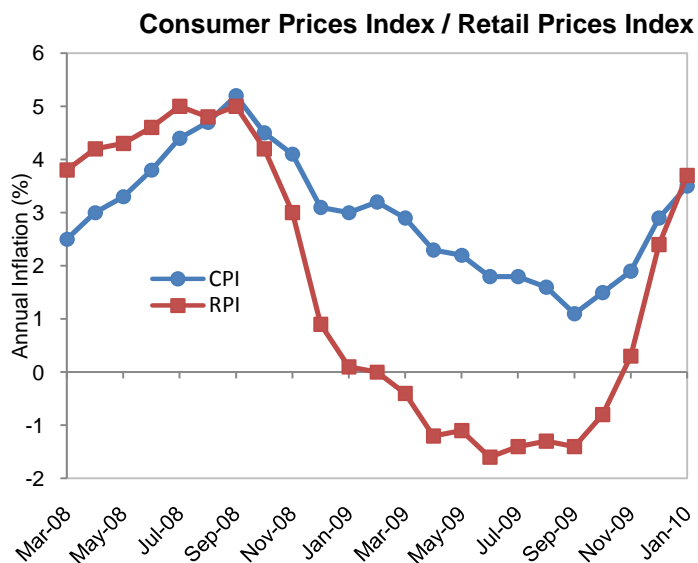
Source: ONS, Labour Market Statistics, February 2010

UK Overview – Inflation

The Government uses the Consumer Price Index (CPI) to monitor annual inflation. Its current target for the CPI is 2%. The CPI rose by 3.5% in the year to January 2010, up from 2.9% in the year to December.

The increase in the rate of VAT from 15% to 17.5% had a significant impact on inflation in January, leading to larger than usual price rises or smaller than usual price falls for this time of year. Rising oil prices also continued to have a significant upward pressure on inflation. The only large downward pressure came from clothing and footwear.

The Retail Price Index (RPI) also rose in January to 3.7% (up from the 2.4% reported in December). In addition to VAT, upward pressure came from housing costs, driven by rising mortgage payments.



Source: Office of National Statistics, February 2010

The Producer Price Indices (PPI) monitor the price changes of goods bought and sold by UK manufacturers. Input prices are the prices of materials and fuels bought by UK manufacturers and output prices are 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
August 2009	-7.7	2.0	-0.3	0.3
September 2009	-6.2	-0.1	0.4	0.5
October 2009	0.4	2.8	1.8	0.3
November 2009	4.0	0.2	2.9	0.3
December 2009	7.4	0.6	3.5	0.5
January 2010	8.4	2.0	3.8	0.4

Source: National Statistics, Producer Prices Index, February 2010

Manufacturers' input prices rose by 8.4% in the year to January 2010, up from 7.4% in December. Input prices rose by 2.0% between December and January, largely reflecting rising crude oil prices (which rose by 5.3% over the month) and to a lesser extent fuels (including the Climate Change Levy) and imported parts and equipment. All product groups saw a rise in prices between December and January. Imported materials prices as a whole increased by 1.7% between December and January. When excluding those sectors that see more volatile changes in prices (food, beverages, tobacco and petroleum) input prices rose by 1.8% in the year to January and by 0.7% over the month.

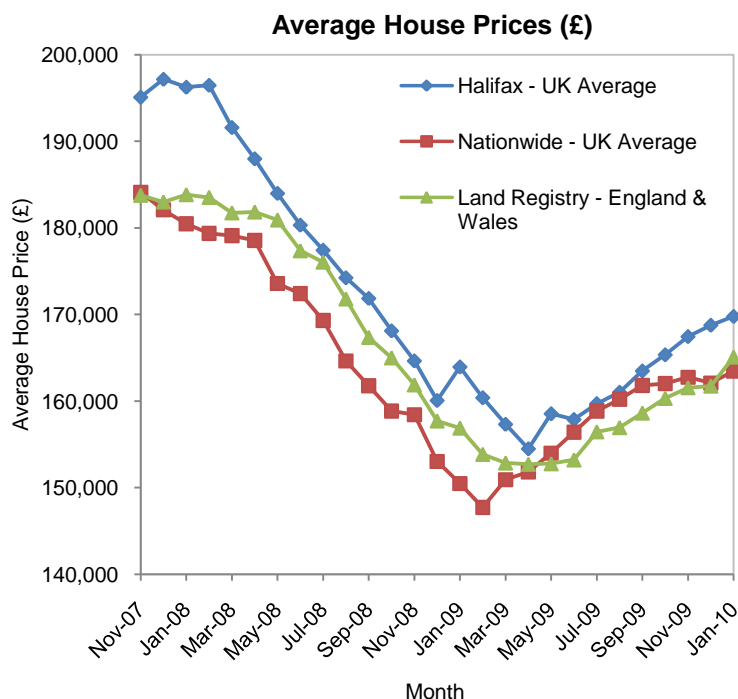
Manufacturers reported that output prices rose by 3.8% in the year to January 2010, up from the 3.5% reported last month. Between December and January prices rose by 0.4%, compared with a 0.1% rise a year earlier. This rise was driven by petroleum products (up 1.7% over the month), other manufactured products and tobacco and alcohol products. Food, textiles and metals were the only product groups not to see a price increase over the month. When excluding volatile sectors, output prices rose by 2.5% over the year and by 0.3% between December and January.

January's Manufacturing PMI reported the same trends with the fastest rise in purchasing costs since September 2008. This was largely driven by higher commodity prices but also as a result of suppliers' low stock levels with some businesses reported that they were pre-ordering materials to protect against expected price rises and delivery delay. The sector also saw the fastest rise in output prices since October 2008 as businesses moved to protect their operating margins, albeit this remained below the rise seen for their input costs.

UK Overview – Housing, Property & Regeneration

The Land Registry reports that average house prices rose by 2.1% between December 2009 and January 2010, with annual growth of 5.2%. The Nationwide and Halifax report that prices rose by 1.2% and 0.6% respectively between December and January and by 8.6% and 3.6% in the year to January.

Over the past year house prices have been driven up by a combination of low interest rates and the low supply of properties for sale. The Halifax notes that there are growing signs that more people are now putting their properties on the market, which is likely to restrain price rises in future months. The Nationwide highlights that low interest rates are particularly key given the sharp drop in average earnings growth during 2009. Whilst very low or negative wage inflation restricts the potential for rising house prices, it has let many more people to stay in employment during the recession, enabling them to service mortgage payments rather than being forced to sell their homes.



Source: Halifax / Nationwide / Land Registry HPI, February 2010

A number of other housing indicators continue to improve. The number of house sales in November 2009 was 54% higher than in November 2008 and the Bank of England reports that mortgage approvals in Q4 2009 were 52% higher than a year earlier.

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
Jul 09 ^r	363	376	1,005	920	89	463	3,217
Aug 09 ^r	258	289	703	677	99	566	2,593
Sept 09 ^r	170	449	672	902	136	594	2,922
Oct 09 ^r	233	478	547	564	133	724	2,677
Nov 09 ^r	155	623	380	831	136	612	2,738
Dec 09 ^p	249	467	1,133	740	132	586	3,308

¹ Excludes orders for home improvement work; ^p Provisional figures; ^r Revised Figures

Source: New Orders in the Construction Industry, February 2010 (Office of National Statistics)

New construction orders in the three months to December 2009 were unchanged on the previous three-month period and 5% higher than the same period in 2008. However total orders during 2009 were 13% lower than in 2008. Private sector housing orders rose by 41% over the quarter and by 20% over the year to December, whilst public housing and housing association orders fell by 19% over the quarter and rose by 38% over the year. Private commercial and industrial orders rose by 18% and 24% respectively over the quarter, but fell by 23% and 22% compared to the three months to December 2008.

Infrastructure orders (both public and private sector) in the three months to December were 13% down on the preceding three months, but 34% higher than the same period in 2008. Public non-housing orders (excluding infrastructure) fell by 15% over the three months to December but were 6% higher than a year earlier.

UK Overview – Confidence & Investment

Consumers

The Nationwide Consumer Confidence Index (NCCI) saw a three-point rise in January to 73. Although this level remains within the 'Gloomy' category on the Index's confidence barometer, it is almost double the level of confidence seen a year earlier. Both the Index's Present Situation and Expectations sub-indices improved over the month, rising by three and four points respectively. This was in contrast to the slight fall seen in the Present Situation sub-index in December.

In terms of present conditions, 69% of consumers believed that the current economic situation is bad, down from 73% in December and 82% in January 2009. Whilst 67% of consumers believed there are not many or few jobs available (down from 70% last month), 22% felt that there are currently many or some jobs available. Looking forward, 36% of consumers think that economic conditions will be better in six months time, up from 34% in December and 17% a year ago. The proportion of people thinking that there will be more jobs in six months time rose from 25% in December to 29% in January. This is the highest level since June 2008. In contrast 50% believe there will be few jobs available; whilst this has improved markedly on 67% a year earlier it remains a significant share.

The Index's Spending sub-index fell sharply in January, dropping 12 points from 108 to 96. The Nationwide notes that whilst consumers continue to be willing to spend on household goods their confidence in doing so is not as strong as usual for this time of year. In particular they highlight that the removal of various economic stimulus measures that have helped to boost consumer spend during 2009 (e.g. Car Scrappage Scheme, VAT decrease, stamp duty holiday, etc.) may be causing consumers to reconsider their spending choices. They also recognize that many consumers are choosing to pay off debt following the Christmas period, rather than make large purchases. The proportion of consumers believing that now is a good time to make a major purchase (e.g. house, car) fell from 35% in December to 32% in January, whilst the proportion thinking it is a good time to buy household goods (e.g. white and brown goods) rose from 42% to 45%. Consumers' expectations for house prices increased marginally in January, with consumers expecting prices to rise by 1.1% over the next six months, compared with the 1.0% expected last month.

Business

Provisional figures for Q4 2009 estimate that business investment was 5.8% lower than in Q3 and 24.1% lower than in Q4 2008. The contraction in business investment was sharper within the manufacturing sector than in non-manufacturing sectors. Business investment by the manufacturing sector (private sector) in Q4 2009 is estimated to have fallen by 8.4% on the preceding quarter, largely driven by metals and metal goods (-23.9%); chemicals and man-made fibres (-14.5%); and engineering and vehicles (-13.0%). Although some manufacturing sub-sectors saw rising business investment, e.g. textiles, clothing, leather and footwear (+23.5%). Non-manufacturing sector also saw further contractions over the quarter, with construction down by 24.5% and distribution services down by 5.3%.

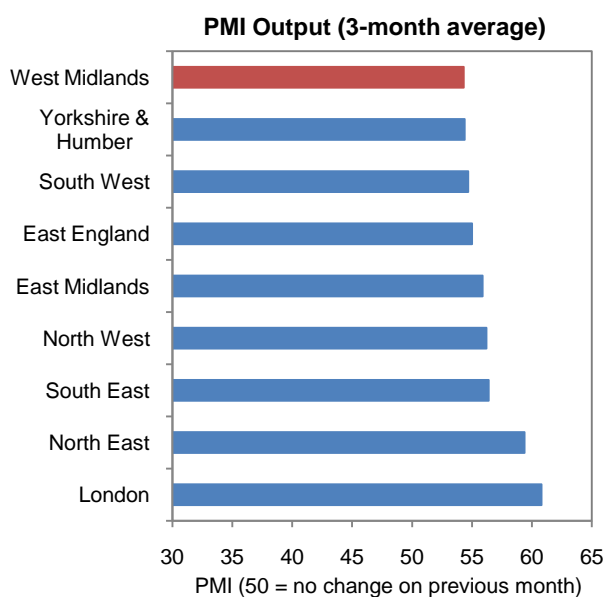
The Bank of England's Summary of Business Conditions in February reports that businesses' investment intentions remain weak and below pre-recession levels. However few businesses plan to make further sharp cuts in investment along the lines of the reductions seen during 2009. Uncertainty about future demand remains the key deterrent on investment, with some businesses saying that they will wait until after the General Election to make decisions, when any changes in taxes, capital allowances and Government spending will be clearer. However some companies noted that they planned capital investment after having delayed replacement programmes in 2009.

Likewise businesses continue to say that they plan to keep their inventories low and below recession levels in light of the uncertain economic outlook. The low availability and higher cost of working capital was cited by many businesses as a key driver of this decision.

West Midlands Overview – Output / Business Activity

Produced by Markit Economics, the Purchasing Managers Index (PMI) surveys a carefully selected panel of businesses to track a series of variables¹. The Index gives the earliest indication of business conditions each month.

Business activity continued to rise in the West Midlands during January. However the pace of improvement fell from December's 27-month high to the slowest seen since September 2009. Some businesses noted that January's poor weather had slowed growth in business activity, with seven of the nine English regions seeing slower growth. The pace of growth in the West Midlands was weaker than the UK average, with the East of England and Yorkshire and the Humber the only English regions to see slower rates of growth.

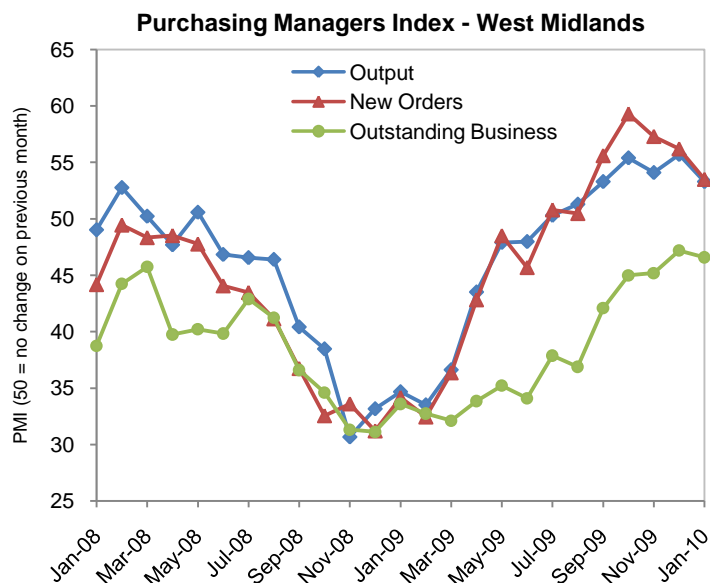


Source: PMI West Midlands, Markit Economics / AWM, February 2010

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
September 2009	53.3	54.3	55.6	53.6	42.1	42.1
October 2009	55.4	56.9	59.3	55.8	45.0	45.8
November 2009	54.1	56.5	57.3	56.1	45.2	47.7
December 2009	55.7	57.2	56.2	57.2	47.2	48.9
January 2010	53.3	55.5	53.5	54.9	46.6	48.8

Source: PMI West Midlands, February 2010 (Markit Economics / AWM)



Source: PMI West Midlands, Markit Economics / AWM, February 2010

However the West Midlands has seen the weakest growth in business activity in England over the last three months.

Businesses also saw an easing in the growth in new orders over the month, with the pace of growth weaker than the UK average. The manufacturing sector reported stronger levels of growth in business activity and new orders, with the service sector seeing slight reductions.

For a 29th month, businesses continued to report shrinking backlogs of outstanding work, highlighting that many still have spare capacity. The pace of decline during January was faster than the UK average and evident in both the manufacturing and service sectors. Many businesses reported that they are currently working below full operating capacity.

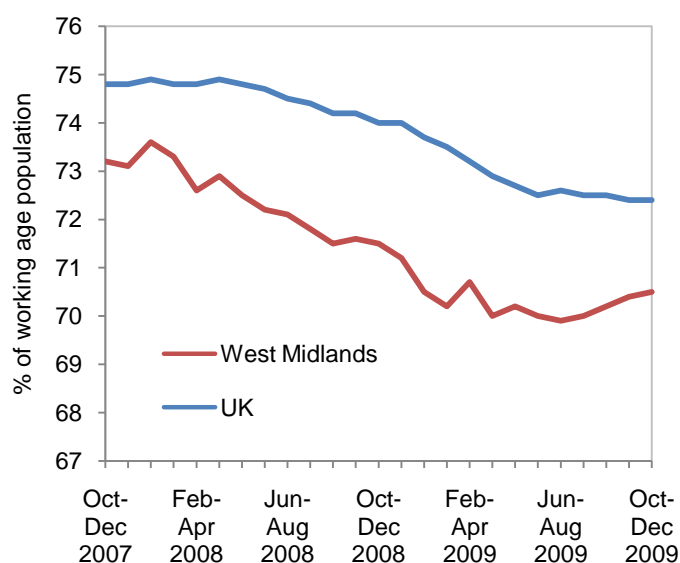
¹ The Index tracks output, new orders, employment and prices. An Index reading of 50.0 indicates no change on the previous month; readings above 50.0 signal an increase in activity and readings below 50.0 signal a decrease in activity on the previous month.

West Midlands Overview – Labour Market

In the final quarter of 2009 the number of employed people in the West Midlands rose by 18,000 to 2.43 million. This is some 19,000 less than a year earlier. The region's working age employment rate stood at 70.5% in the three months to December. This is 0.5 percentage points higher than the preceding quarter but 1.1 points down on the same period in 2008.

The number of economically active people in the region rose by 2,000 in the three months to December 2009. At 2.69 million the new total is 19,000 more than a year earlier. 78.1% of the West Midlands' working age population was economically active in the final quarter of 2009. This was 0.1 percentage points less than the three months to September but 0.1 percentage points higher than in Q4 2008.

Employment Rate (Seasonally Adjusted)

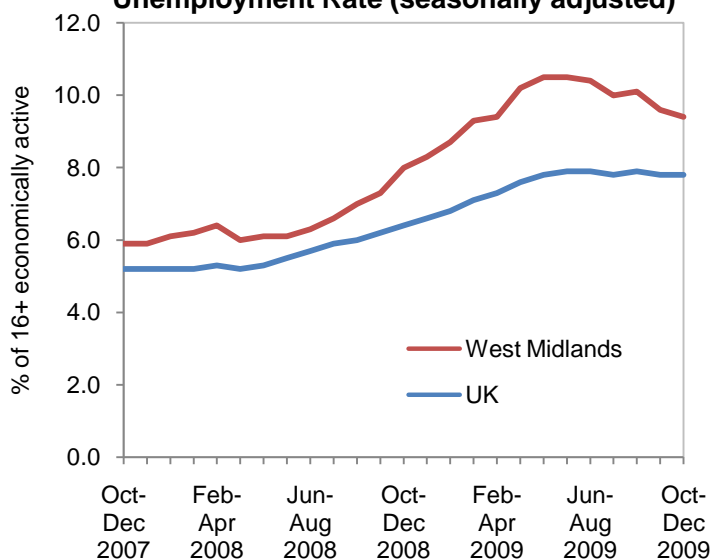


Source: ONS, Labour Market Statistics, Feb 2010

The region had 717,000 economically inactive people of working age in the final quarter of 2009. The total rose by 2,000 over the three months but was 2,000 less than a year earlier. 21.9% of working age people are economically inactive. Up 0.1 percentage points over the quarter but down 0.1 points over the year.

The number of unemployed people in the region fell by 16,000 in Q4 2009. The new total of 252,000 was 38,000 higher than a year earlier. The region's unemployment rate also fell, down 0.6 percentage points over the quarter to 9.4%. This is 1.4 points higher than Q4 2008 and is the highest of the UK regions. The number of Jobseekers Allowance claimants rose by 1,500 between December 2009 and January 2010. At 182,300, the total number of claimants is 37,700 more than a year earlier.

Unemployment Rate (seasonally adjusted)



Source: ONS, Labour Market Statistics, Feb 2010

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*	Oct - Dec 09	2,432	+18	-19	70.5	+0.5	-1.1
Unemployment**	Oct - Dec 09	252	-16	+38	9.4	-0.6	+1.4
Economically active*	Oct - Dec 09	2,685	+2	+19	78.1	-0.1	+0.1
Economically inactive***	Oct - Dec 09	717	+2	-2	21.9	+0.1	-0.1
Claimant count ⁺	Jan 10	182.3	+1.5	+37.7	6.6	+0.1	+1.4

*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, February 2010

West Midlands Overview – Labour Market

The West Midlands PMI for January 2010, saw businesses reporting the 21st consecutive month of job-shedding. Whilst the pace of job cuts was the slowest since June 2008, the West Midlands saw the fastest job-shedding of the English regions. In contrast businesses in the North West saw a rise in staff numbers during January. Nationally the PMI saw some businesses reporting that higher operating costs were having a negative influence on their recruitment decisions.

Jobcentre Plus reports that the West Midlands saw 2,589 notified redundancies during January. This was more than double the number seen during December (an atypical month), but less than seen during October and November 2009. Almost half of January's notified redundancies were in the Coventry and Warwickshire sub-region (46%; 1,191); whilst a quarter were seen in the Birmingham and Solihull sub-region (26%; 675). Staffordshire saw 282 notified redundancies (11% of the regional total), whilst the Black Country saw 211 (8%) and the Marches sub-region 230 (9%). A quarter (651) of January's notified redundancies were from the Energy & Water sector. Reflecting a growing trend, a fifth (556) of redundancies were from the public sector. There continue to be significant redundancies coming from the manufacturing sector, representing around a third of those notified during January.

The West Midlands saw a fall in the number notified vacancies held by Jobcentre Plus in January, dropping by about a third (-10,371). This was a slightly sharper drop than the national average of -32%. However the total in January 2010 was 71% higher than a year earlier (+8,319), compared with a rise of 50% seen across Great Britain as a whole. The greatest proportion of notified vacancies were for Elementary Administration and Service Occupations (2,499; 13%); sales occupations (2,336; 12%); Caring Personal Service occupations (2,266; 11%); and Transport and Mobile Machinery Drivers and Operatives (2,237; 11%).

Sub-Regional Picture

Non-seasonally adjusted figures show that all of the region's local authority districts saw a rise in their number of JSA claimants between December 2009 and January 2010. As a whole the region saw a rise of 7,608 over the month. Of the region's upper-tier authorities, the largest increase was in Birmingham (+1,145), followed by Worcestershire (+1,118). The largest rise amongst lower-tier authorities were in Worcester (+311) and Rugby (+250). By contrast the smallest increases in claimant levels over the month were in Stafford (+58) and South Staffordshire (+80).

In terms of claimant proportions, Rugby and Worcester each saw an increase of 0.5 percentage points between December 2009 and January 2010, compared with an average rise of 0.3 points across the region. Stafford was the only local authority district in the region to not see an increase in its claimant proportion, with it remaining unchanged over the month.

In the year to January 2010 Birmingham has seen by far the largest rise in its number of claimants due to the city's size – rising by 9,447 people. This is followed by Staffordshire (+3,238) and Sandwell (+3,180). Of lower-tier authorities the greatest increases over the year have been in Nuneaton and Bedworth (+717) and Worcester (+622). The smallest annual rises have been seen in Staffordshire Moorlands (+160) and Lichfield (+277). In relative terms Malvern Hills has seen the largest percentage rise in its JSA claimants (+40%), albeit from a low base. Bromsgrove district has seen a 34% rise in claimants, whilst Dudley and Tamworth have seen rises of 33% and 32% respectively.

Sandwell and Wolverhampton have seen the largest percentage point increases in their claimant proportions over the year to January 2010, each rising by 1.9 points. In contrast Staffordshire Moorlands has seen just a percentage point rise of just 0.3 points, whilst Herefordshire, Stafford and Stratford-on-Avon have each seen a rise of 0.4 percentage points.

West Midlands Overview – Labour Market

Local Authority Claimant Count Levels and Proportions¹ (non-seasonally adjusted)

	January 2010		Change on Month		Change on Year		
	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Percentage Change in Claimant Level
Regional	183,419	5.6	7,608	0.3	36,629	1.1	25%
Herefordshire	3,028	2.9	302	0.3	478	0.4	19%
Stoke-on-Trent	9,056	6.1	550	0.4	1,621	1.1	22%
Telford and Wrekin	4,825	4.8	243	0.2	861	0.9	22%
Shropshire	5,239	3.1	451	0.3	1,100	0.7	27%
Staffordshire	19,020	3.8	911	0.2	3,238	0.7	21%
Cannock Chase	3,088	5.2	123	0.2	505	0.8	20%
East Staffordshire	2,536	3.8	84	0.1	353	0.5	16%
Lichfield	1,910	3.3	84	0.2	277	0.5	17%
Newcastle-under-Lyme	2,982	3.8	195	0.2	583	0.7	24%
South Staffordshire	2,242	3.5	80	0.1	470	0.7	27%
Stafford	2,210	2.9	58	0.0	301	0.4	16%
Staffordshire Moorlands	1,607	2.8	121	0.2	160	0.3	11%
Tamworth	2,445	5.1	166	0.4	589	1.3	32%
Warwickshire	11,831	3.7	820	0.3	2,320	0.8	24%
North Warwickshire	1,588	4.1	165	0.4	321	0.8	25%
Nuneaton and Bedworth	3,864	5.2	212	0.3	717	1.0	23%
Rugby	2,169	4.0	250	0.5	504	1.0	30%
Stratford-on-Avon	1,598	2.3	94	0.1	296	0.4	23%
Warwick	2,612	3.0	99	0.1	482	0.5	23%
Birmingham	51,263	8.1	1,145	0.2	9,447	1.5	23%
Coventry	11,518	5.9	490	0.3	2,526	1.3	28%
Dudley	11,189	6.1	452	0.3	2,749	1.5	33%
Sandwell	13,968	8.0	319	0.2	3,180	1.9	29%
Solihull	5,506	4.5	255	0.2	1,282	1.0	30%
Walsall	11,255	7.5	218	0.2	2,249	1.5	25%
Wolverhampton	12,084	8.4	334	0.2	2,774	1.9	30%
Worcestershire	13,637	4.1	1,118	0.4	2,804	0.9	26%
Bromsgrove	2,169	3.9	89	0.1	549	1.0	34%
Malvern Hills	1,144	2.8	141	0.4	324	0.8	40%
Redditch	2,576	5.1	182	0.4	412	0.8	19%
Worcester	2,731	4.6	311	0.5	622	1.1	29%
Wychavon	2,250	3.3	200	0.3	408	0.6	22%
Wyre Forest	2,767	4.7	195	0.3	489	0.8	21%

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, February 2010

West Midlands Overview – Labour Market

Regional Employment Monitoring

Manufacturing

- **Watsons Glass** has gone into administration through KPMG, with the loss of 38 of the 70 jobs at its glass processing business in Wolverhampton.
- **Eyre Electrical Shropshire** has ceased trading with the loss of 30 jobs at its Telford-based electrical contracting business.

Energy & Water

- **Severn Trent** is to shed up to 250 of the 1,100 jobs at its business service teams in Birmingham and Warwickshire.

Construction

- **Frank Galliers** is to go into administration with the loss of about 138 jobs at its Shropshire-based construction business.
- **Wolverhampton Homes** is to shed about 50 of the 750 jobs at its council house management business by August.
- **Benfield Construction** has gone into liquidation with the loss of 20 jobs in Coventry, as its parent company was unable to find a buyer.

Services

- **Midcounties Co-operative** is to close its Walsall headquarters and relocate up to 70 staff to Leamington Spa, and staff will also relocate from its office in Oxford.
- **City Link** is to close its distribution depot in Wednesbury this summer, and some of the 600 staff will transfer to Coventry.

Retail

- **JS Childrenswear**, the chain of 120 Adams children's clothing stores with 2,000 staff, has gone into administration through MCR.
- **Lloydspharmacy** is to shed up to 100 of the 800 jobs at its headquarters in Coventry.

Public sector

- The BBC's 'Facing the Cuts' survey has found that **local authorities in the region** currently envisage making job cuts totalling 4,130 over the next 3-5 years. In addition to their survey responses, **Birmingham City Council** has said it could be making up to 2,000 redundancies during the next financial year and **Walsall MBC** has said it faces cuts of up to 5,000 over the next five years in the light of budget cuts.

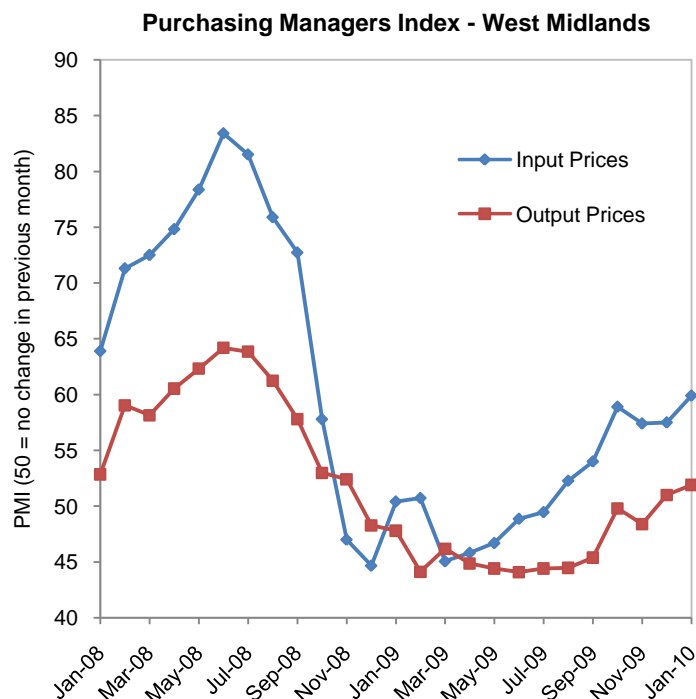
And some regional good news stories.....

- Rare Games, a **Microsoft** Games Studio, will be locating at Fazeley Studios in Birmingham, creating 90 high-value, high technology gaming jobs, many of which will be for graduates.
- **The Office for Legal Complaints** has confirmed plans to set up a new headquarters for the Legal Ombudsman at Baskerville House in Birmingham city centre by the end of the year, with the creation of up to 350 jobs.
- **Michelin** has secured a £3.9m government grant to go towards the £20m modernisation of its tyre plant in Stoke-on-Trent over the next five years, including new equipment and extended premises.
- **Asda** will be opening a new Living Store in April in Telford, with the creation of 100 new jobs.
- **Sutton Venture Group** is consolidating its Staffordshire-based distribution operations at a new 10-acre site at Berry Hill in Stoke-on-Trent, and expects to create up to 30 new jobs this year.
- Wyre Forest District Council is to consider plans from **Bovale** to develop a 67-bed care home and residential units in Stourport, with the creation of up to 100 jobs.
- **Autonet Insurance** is looking to expand the 440-strong workforce at its Staffordshire-based vehicle insurance business with 50 additional sales staff over the next six months.
- Dutch luxury sports car producer **Stryker** is to relocate its assembly line to Coventry, creating up to 45 jobs.

West Midlands Overview – Inflation and Investment

The West Midlands PMI reports that businesses saw a sixth consecutive month of rising input prices during January 2010. The rate of increase over the month was the highest seen since September 2008 and above the UK average. Businesses highlighted the rising costs of fuel and raw materials, as well as Sterling's weakness against the Euro as key factors driving inflation.

For a second month January also saw a rise in output prices, with prices rising in the West Midlands at a faster rate than the UK average. However the rate of increase remained fairly marginal since competition for work continues to weigh against businesses passing on higher input costs. Against this picture many businesses also saw increases in their output prices as a result of the VAT rise, putting further pressures on profit margins. There were however differences between sectors, with rising output prices largely concentrated amongst manufacturing firms, whilst on average service sector companies reduced their output prices.



Source: PMI West Midlands. Markit Economics / AWM, February 2010

West Midlands Overview – Housing, Property & Regeneration

The Land Registry reports that average house prices in the West Midlands rose by 2.8% between December 2009 and January 2010. This compares with an average monthly rise of 2.1% for England and Wales and was the second highest increase after London. Over the year to January 2010, the West Midlands has seen average prices rise by 4.6%, compared to 5.2% for England and Wales as a whole. Within the region Herefordshire saw the largest rise in average prices between December and January, rising 1.5%. The largest falls over the month were seen in Walsall (-0.8%) and Sandwell (-0.7%). Walsall has seen the steepest fall in average prices over the year, dropping by 6.3%. Wolverhampton and Warwickshire are the only parts of the region to have seen a rise in average prices over the year, rising by 1.6% and 0.2% respectively. It must be noted however that all of these changes are based on historically low levels of sales.

Average House Price Changes (January 2010)

	Monthly Change (%)	Annual Change (%)	Average Price (£)
West Midlands	+2.8	+4.6	£138,094
Herefordshire	+1.5	-0.4	£177,450
Stoke-on-Trent	+1.2	-2.7	£79,849
Shropshire	+0.6	-0.6	£162,907
Staffordshire	+0.2	-0.6	£135,239
Warwickshire	+0.8	+0.2	£159,650
Birmingham	+0.3	-3.0	£117,310
Coventry	-0.3	-3.9	£109,695
Dudley	-0.3	-1.1	£128,481
Sandwell	-0.7	-2.5	£101,677
Solihull	-0.1	-2.1	£188,072
Walsall	-0.8	-6.3	£114,258
Wolverhampton	+0.5	+1.6	£111,842
Worcestershire	+0.2	-0.6	£165,854

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, February 2010

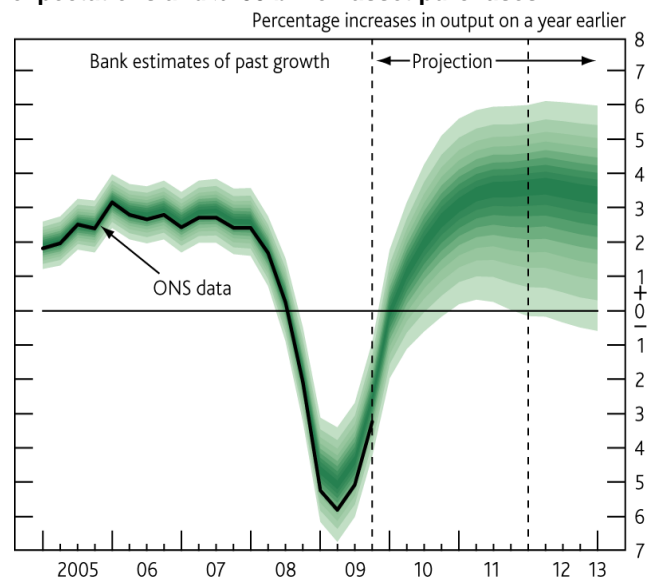
Spotlight on the Bank of England's February 2010 Inflation Report

February's Inflation Report notes that the global economy is continuing to recover, with marked improvements in manufacturing output and trade. Levels of economic activity and trade remain far below that seen before the recession. The report recognises that the UK economy stabilised in the second half of 2009 and is starting a gradual recovery.

At the time February's Inflation report was published GDP was provisionally estimated to have risen by 0.1% in Q4 2009. The Bank of England's Monetary Policy Committee (MPC) envisaged that this was likely to be revised upwards as more data become available, and this was the case in later in February when the estimate was revised up to 0.3% growth. The Bank notes that business surveys indicate that growth has continued into Q1 2010.

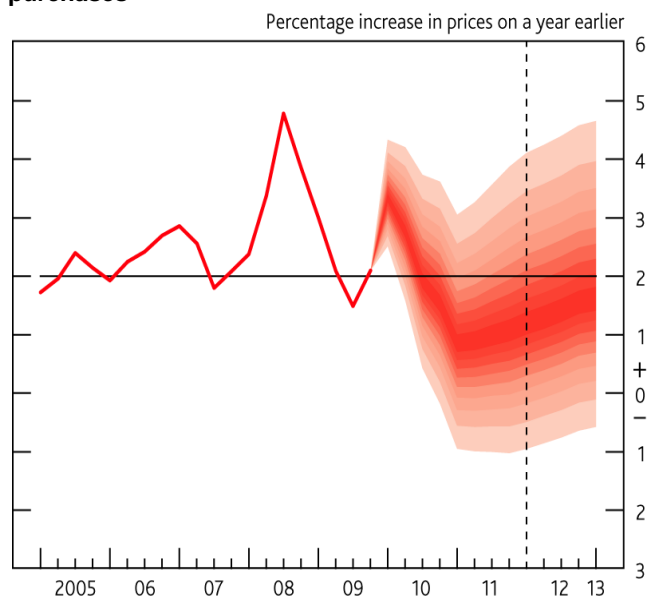
The Bank highlights that the prospects for future growth are currently underpinned by the stimulus measures introduced during the recession, supported by global growth and sterling depreciation. There are a number of factors that risk holding back recovery including (tight) credit conditions, and caution in both company and household spending because of the need to improve the state of public and private finances. As a result the MPC expects recovery to be slow, with GDP unlikely to reach the levels before the recession for quite some time.

Chart 1: GDP projection based on market interest rate expectations and £200 billion asset purchases



Source: Bank of England, Inflation Report February 2010

Chart 2: CPI inflation projection based on market interest rate expectations and £200 billion asset purchases



Source: Bank of England, Inflation Report February 2010

Inflation rose steeply in December and January, above the Government's target of 2%, largely as a result of 'one-off adjustments' to the levels of prices (eg the temporary reduction in the VAT rate). Inflation has seen considerable upward pressures from higher petrol prices and rising import costs due to Sterling's depreciation. Households' medium-term inflation expectations have been relatively stable.

The Bank notes that some businesses have tried to offset higher prices by reducing other costs such as wages. This has resulted in low earnings growth, a factor which appears to have helped to limit the rise in unemployment.

These factors should only have a relatively short-term impact and it is expected that inflation will reduce again as a result of the level of overcapacity within businesses, although it is less certain how inflation will fare in the medium-term.

The report notes that in 2009 Q3, whole economy investment was 16% below its pre-recession level, driven by the sharp fall in business investment, which accounts for 60% of whole economy investment. This reflects weak demand conditions, tight credit conditions and the fact that many firms fund investment internally, which recession may have affected. As previously noted this will impact on the pace of recovery.