

West Midlands monthly economic update report

June 2010

National Headlines:

- Manufacturing output fell by 0.4% between March and April 2010, but rose by 3.4% in the year to April 2010. The Manufacturing PMI found business activity growth accelerated for intermediate and investment goods but eased for consumer goods in May.
- Car production in May was 54% higher than a year earlier, whilst car registrations rose by 13.5%.
- The Services PMI reported a slight acceleration in business activity growth in May, but the slowest rate of growth in new orders since August 2009 and a small fall in employment levels.
- The Construction PMI reports that May was the third month of growing business activity for the sector, with the first growth in overall employment levels and in civil engineering business activity for two years.
- The number of people in employment in the UK rose by 5,000 in the three months to April 2010, but remained 213,000 less than a year earlier. The UK working age employment rate now stands at 72.1%.
- The UK unemployment rate rose by 0.1 percentage points in the three months to April to 7.9%. There were 23,000 more unemployed people than in the previous quarter bringing the total to 2.47 million.
- In May the Jobseekers Allowance claimant register fell below 1.5 million for the first time since March 2009, with 30,900 fewer claimants than in April 2010.
- The UK's number of economically inactive people of working age rose by 29,000 in the three months to April 2010, bringing the total to a record high of 8.19 million.
- Annual inflation (Consumer Price Index) was 3.4% in the year to May 2010, down from 3.7% in April.

Regional Headlines:

- The West Midlands PMI reports that business activity continued to grow in May but, as in most regions, the pace of growth slowed making it the weakest so far in 2010, albeit somewhat faster than the UK average.
- Growth in new orders also slowed in May but remained robust and slightly above the UK average.
- Growth in business activity and new orders was stronger in the manufacturing sector than in the service sector.
- The number of people in employment in the West Midlands rose by 3,000 in the three months to April 2010, bringing the total to 2.43 million. The region's working age employment rate rose 0.4 points to 70.7%.
- The West Midlands' working age economic inactivity rate stood at 22.0% in the three months to April 2010. This represents 721,000 people, 1,000 less than the previous quarter but 13,000 more than a year earlier.
- The number of unemployed people in the West Midlands fell by 14,000 in the three months to April 2010. The region's unemployment rate now stands at 9.0%, down 0.5 points over the quarter. This is the third highest rate of the UK regions.
- There were 162,400 people claiming Jobseekers Allowance in the West Midlands in May 2010. This was 3,800 less than in April 2010 and 12,700 less than in May 2009.
- The West Midlands PMI reports that overall private sector employment levels were unchanged between April and May, but that whilst manufacturing firms increased staff numbers the service sector shed staff.
- In May firms in the region reported the fastest increase in input prices since September 2008 and a far faster increase than the UK average. Whilst output prices also rose they did so at a much slower rate.

UK Overview – Output / Business Activity

During May the average independent forecast for the UK economy remained unchanged on April, predicting growth of 1.2% in 2010 and 2.2% in 2011.

Manufacturing – the Index of Production reports that manufacturing output in April 2010 was 3.4% higher than a year earlier. However output fell by 0.4% between March and April 2010, partly due to the particularly strong growth in March. Over the month output fell in eight of the 13 manufacturing sub-sectors, with the largest negative contribution coming from transport equipment industries (-2.2%) and the largest positive contribution coming from machinery and equipment industries (+1.7%). The less volatile quarter-on-quarter comparison showed manufacturing output to have risen by 2.5% in the three months to April (up from 1.3% in March) – the fastest quarterly growth since October 1998. According to the Manufacturing PMI, levels of business activity rose for a twelfth consecutive month in May, supported by continued growth in new orders. Whilst intermediate and investment goods saw their growth in business activity accelerate over the month, consumer goods producers saw the weakest growth since November 2009. Businesses attributed continued growth in new orders to improving market conditions, promotional activities and particularly strong growth in export orders (supported by the weakness of sterling). There were also reports that some of the growth in new orders was due to customers rebuilding their inventories having reduced them in the recession. However, the PMI notes that improvements in domestic and export demand may not be sustainable through the summer in light of the austerity measures being introduced in the UK and Europe (the UK's largest trading partner).

Automotive manufacturing – the Society of Motor Manufacturers and Traders (SMMT) reports that car production in May was 54% higher than a year earlier and commercial vehicle production rose by 129% on weak 2009 figures. Total car registrations in May 2010 were 13.5% higher than a year earlier but remained 14.6% lower than at the same point in 2008. Private and fleet sales during May 2010 were 12.3% and 16.0% higher than a year before, whilst business sales saw only marginal growth (+0.7%). Just 2.7% of May's sales came through the now closed Scrappage Scheme. Although May was the eleventh monthly of sales growth, the SMMT expects sales to decline slightly during the second half of 2010.

Services – the Services PMI reports that business activity rose for a thirteen month running in May and at a slightly faster rate than in April. Businesses reported further increases in new orders but growth was the slowest seen since August 2009. Some businesses reported that the general election and questions about the strength of the economic recovery had made clients more uncertain, with some deferring spending decisions. Where businesses saw growing orders they were largely attributed to promotional activities, the launch of new products and a rebound after disruption caused by the volcanic ash cloud in April. Efforts to control costs in light of steep input price inflation and wavering customer confidence resulted in a small fall in service sector employment levels after two months of growth.

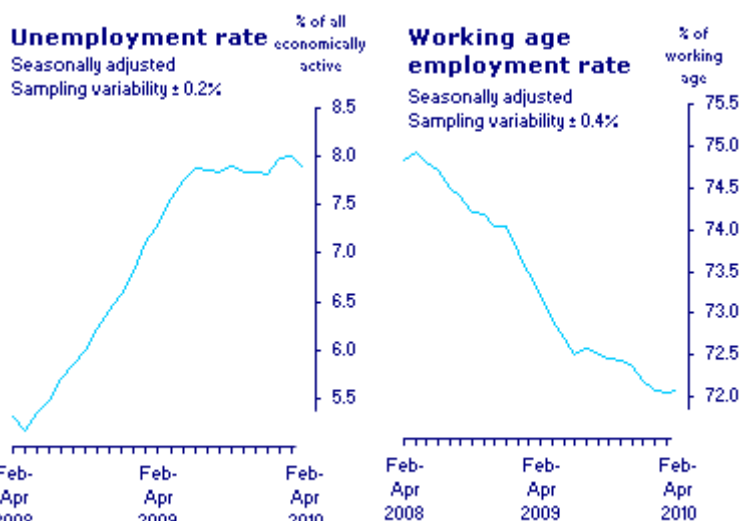
Construction – the Construction PMI reports that business activity rose for a third month during May. Growth was seen in all three sub-sectors, with residential activity seeing the sharpest rise, commercial activity slowing slightly and the civil engineering sub-sector seeing its first growth in two years. The sector continued to see rising new orders, with the pace of growth slightly faster than in April and the fastest since October 2007. Growing demand saw the sector report its first growth in employment levels for two years (although employment remains a long way off pre-recession levels) and a rise in the use of sub-contractors. However, it is noted that recent improvements remain fragile, especially in the civil engineering sub-sector, in light of expected public sector cuts.

Retail – the British Retail Consortium (BRC) reports that like-for-like retail sales in May 2010 were 0.8% higher than a year earlier (when sales fell). The less volatile three-month average shows that like-for-like sales were up 1.2% in the three months to May, with food sales 1.0% higher than a year earlier, whilst non-foods sales were 1.3% higher. The BRC notes that good weather boosted clothing and footwear, outdoor DIY and leisure sales, but that many retailers continue to rely on promotional activity to improve sales with consumers still cautious in purchasing 'big ticket' items. May's non-food, non-store sales (e.g. internet, mail-order and phone sales) were 21.9% higher than a year earlier (when sales were relatively weak), up from 15.9% in the year to April 2010.

UK Overview – Labour Market

There were 5,000 more people in employment in the UK in the three months to April 2010 than the previous quarter. But at 28.87 million the total was still 213,000 less than a year earlier. The working age employment rate fell by 0.1 percentage point over the quarter to 72.1%, this is 1.2 points less than in the three months to April 2009. The working age employment rate for men was unchanged over the quarter at 75.0%, but the rate fell by 0.3 points for women to 68.9%

There were 56,000 fewer people working full-time in the three months to April, whilst the number of people working part-time rose by 61,000. 1.08 million people who were working part-time (as employees or self-employed) said that they were doing so because they could not find full-time work. This was 45,000 more than the previous quarter and the highest on record.



Source: ONS, Labour Market Statistics, June 2010

The UK's unemployment rate rose by 0.1 percentage points in the three months to April 2010 to 7.9%. This is 0.6 points higher than the same period in 2009. The change over the quarter represented 23,000 more unemployed people, bringing the total to 2.47 million. This is 192,000 more than in the three months to April 2009. The number of people unemployed for more than a year rose by 85,000 over the quarter to 772,000. The number of unemployed 18-24 year olds fell by 2,000 over the quarter to 713,000. 30,900 fewer people claimed Jobseekers Allowance in May 2010 than in April 2010. At 1.48 million the claimant register in May 2010 was 58,200 less than a year earlier and the first time it has been below 1.5 million since March 2009.

In the three months to April 2010, 173,000 people said they had been made redundant during the previous three months. This was 137,000 less than a year earlier but 6,000 more than in the three months to January. There were 492,000 vacancies in the three months to May 2010, up 7,000 over the quarter and up 47,000 over the year.

The number of economically active people in the UK rose by 28,000 in the three months to April to reach 31.34 million. This is however still 21,000 less than at the same point in 2009. The working age economic activity rate fell by 0.1 percentage points over the quarter and by 0.7 points over the year to April 2010 to 78.5%. The working age inactivity rate rose by corresponding amounts to reach 21.5%. There were 29,000 more economically inactive people of working age in the three months to April 2010 than the preceding three months. This brings the UK total to a record high of 8.19 million, up 298,000 over the year to April. Whilst most categories of inactivity fell over the quarter, the number of people classed as 'long-term sick' rose by 58,000 to 2.07 million.

UK Labour Market Statistics

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Feb - Apr 10	28,865	+5	-213	72.1	-0.1	-1.2
Unemployment**	Feb - Apr 10	2,472	+23	+192	7.9	+0.1	+0.6
Economically active*	Feb - Apr 10	31,337	+28	-21	78.5	-0.1	-0.7
Economically inactive***	Feb - Apr 10	8,186	+29	+298	21.5	+0.1	+0.7
Claimant count ⁺	May 10	1,481.1	-30.9	-58.2	4.6	-0.1	-0.2

*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

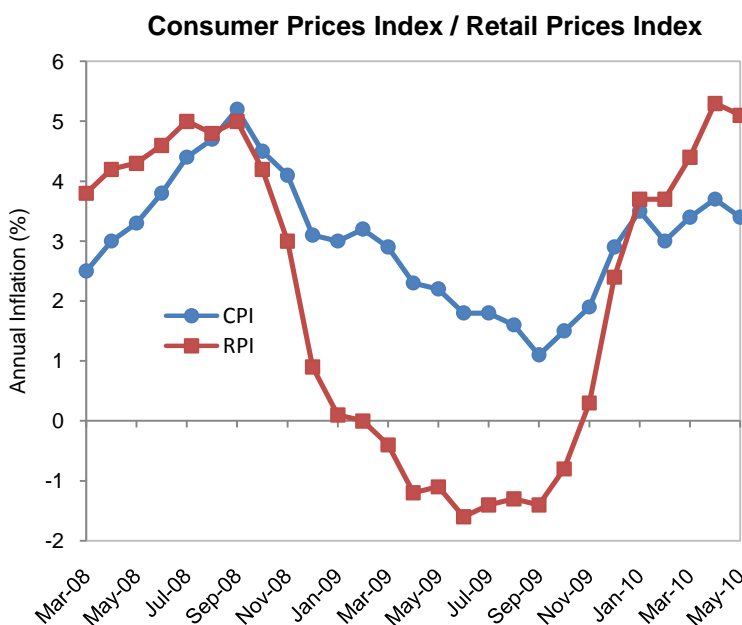
+ Claimant count levels are the number of JSA claimants; the claimant rate is the number of claimants as a percentage of claimants plus the number of workforce jobs

Source: ONS, Labour Market Statistics, June 2010

UK Overview – Inflation

The Government uses the Consumer Price Index (CPI) to monitor annual inflation, with a current target of 2%. In the year to May 2010 the CPI rose by 3.4% (down from 3.7% in April). The largest downward pressure between April and May came from food and non-alcoholic beverages, with further large downward pressures from transport; alcoholic beverages and tobacco; and recreation and culture. The only large upward pressure came from housing and household services where prices rose this year, but fell in May 2009.

The Retail Price Index (RPI) rose by 5.1% in the year to May 2010 (down from 5.3% in April). The largest downward pressure came from food, followed by motoring expenditure and alcoholic drink. The largest upward pressure came from fuel and light (driven by electricity bills), followed by housing (driven by housing depreciation) and household goods.



Source: Office of National Statistics, June 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
December 2009	7.4	0.4	3.5	0.5
January 2010	7.7	1.5	3.8	0.4
February 2010	7.7	0.7	4.2	0.3
March 2010	10.5	3.9	5.0	0.9
April 2010	13.1	0.5	5.9	1.6
May 2010	11.2	-0.6	5.7	0.3

Source: National Statistics, Producer Prices Index, June 2010

Manufacturers' input prices rose by 11.2% in the year to May 2010, (down from the 13.1% growth reported in April). However input prices fell by 0.6% between April and May 2010 (compared with a rise of 1.1% between April and May 2009), largely as a result of the falling costs of crude oil, in part offset by the increased cost of imported chemicals and home produced food products. This was the largest monthly fall in input prices since July 2009. When excluding those sectors that tend to experience more volatile price changes (food, beverages, tobacco and petroleum), input prices rose by 0.6% over the month and by 6.8% over the year to May 2010. May's Manufacturing and Construction PMIs reflects these trends reporting the fastest growth in input prices since August 2008, with the former noting that difficulties in the supply-chain have also played a role in driving input prices up.

In terms of output prices, manufacturers saw prices for their home sales rise by 5.7% in the year to May 2010 (slightly less than the 5.9% growth reported for April). Prices rose by 0.3% between April and May 2010 (compared with a rise of 0.4% for the same period in 2009), with increases in most product groups, but in particular petroleum and alcohol products. These were in part offset by a fall in prices for 'other manufactured products'. When excluding volatile sectors, output prices rose by 0.1% between April and May 2010 and by 4.4% in the year to May 2010. The Manufacturing PMI notes that during May output prices rose at their fastest rate since September 2008.

UK Overview – Housing, Property & Regeneration

The Land Registry reports that average house prices in England and Wales fell by 0.2% between April and May 2010 but rose by 8.2% in the year to May 2010. This was the first negative monthly change reported by the Land Registry since April 2009.

The Nationwide states that average house prices rose by 0.5% between April and May 2010, whilst the Halifax reports that prices fell by 0.4% over the month. The Nationwide's less volatile three-month average saw prices rise by 1.7% in the three months to May (up from growth of 1.1% reported for the three months to April). The Halifax highlights that its mixed pattern of monthly prices rises and falls reflects the slowing housing market and supports their expectation that growth will be flat during 2010.

In terms of annual growth the Nationwide and Halifax report growth of 9.8% and 6.9% respectively for the year to May 2010. The Nationwide notes that May's average price is 9.5% lower than the peak seen in

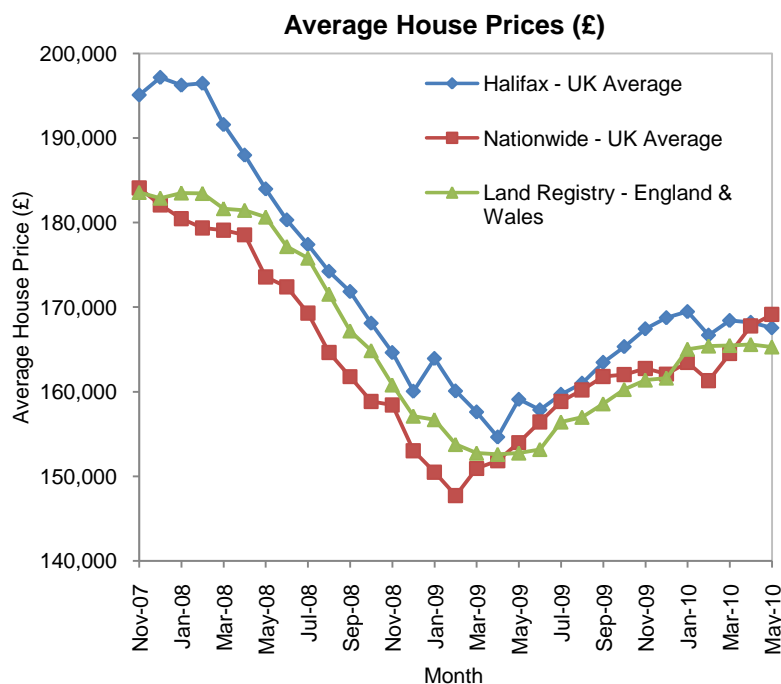
October 2007, having risen 12.2% since the trough during the recession (in February 2009). The marked recovery in house prices in the second half of 2009 was largely the result of a combination of more people looking to buy whilst interest rates were low and a relative shortage of properties for sale. Both of these drivers have eased in the first half of 2010, with housing demand being restrained by continued uncertainty about the economy and employment and more people putting their properties up for sale due to improving prices. These changes have redressed the balance between housing supply and demand, easing the upward pressure on prices.

In terms of sales activity latest figures from the Land Registry report that property transaction levels have risen from an average of 32,009 per month between December 2008 and March 2009, to 50,658 per month for December to March 2010. Whilst transaction levels are improving slowly they have not yet reached pre-recession levels.

The Nationwide highlights that the new Government's emerging plans to increase the rate of capital gains tax on non-business assets, (possibly including second homes and buy-to-let investments), might have a short-term impact on the number of properties coming onto the market if investors choose to sell to avoid higher rates of taxation. If this were to be the case the balance of housing supply and demand might shift again, further weakening the upward pressure on prices.

More immediately, the Halifax notes that the suspension of Home Information Packs (HIPs) might also encourage more people to put their properties up for sale. This is reflected in the Royal Institute of Chartered Surveyors' (RICS) Housing Market Survey for May which reports that the end of HIPs has led to a sharp increase in the number of properties being put up for sale. As a result the net balance of surveyors reporting rising levels of new instructions rose from +11% in April to +21%, with the expectation that the suspension of HIPs will increase the level of properties for sale by around 15%.

In terms of future outlook, the balance of RICS surveyors expecting rising sales increased from +27% in April to +31% in May. However expectations for average prices dropped back from a net balance of +7% in April to +5% in May.



UK Overview – Confidence & Investment

Consumers

The Nationwide Consumer Confidence Index (NCCI) fell sharply between April and May 2010, dropping by ten points to 65. This leaves the Index just ten points above its position in May 2009, having fallen a total of 26 points since February 2010. The drop in May was the result of falls in both the Present Situation and Expectations sub-indices, down by six and 12 points respectively. In contrast the Spending sub-index was unchanged over the month.

The Index found that the proportion of consumers who think the current economic situation is bad rose by five percentage points between April and May to reach 67%. Just 6% of consumers think that the current economic situation is good. In terms of perceptions of employment conditions 59% of consumers thought that there are not many or few jobs available, down from 61% in April. The proportion of people who thought there are many or some jobs also fell, dropping from 28% in April to 26% in May. 11% of consumers thought there were neither many nor few jobs available.

On the spending front, the proportion of people who believe now is a good time to make a major purchase (i.e. house, car) was unchanged over the month at 30%. However the share who think now is a bad time to purchase such items rose from 34% in April to 37% in May. 38% of consumers think it is currently a good time to buy household goods (i.e. white or brown goods), up from 36% in April, whilst 10% think it is a bad time to make such a purchase (down from 11% in April).

In terms of future expectations, the index found that 30% of consumers thought that the economy would be better than today in six months' time (up from 29% in April), whilst 22% thought it would be worse (up seven percentage points from 15%). 46% of people thought there would be not many or few jobs available in six months' time (up from 45% the previous month). But the share who thought there would be many or some jobs rose from 28% to 29%. The proportion of consumers who thought that their household income would be higher in six months' time dropped from 17% in April to 14% in May, with 14% believing that their income would be lower by then (up from 13% in April).

Business

The Bank of England reports that businesses' investment intentions are improving, albeit slowly and from a low level, having dropped significantly during the recession. Where businesses are choosing to invest their plans tend to focus on measures to reduce costs, improve efficiency and/or replace assets that had been made to last through the recession. Revised business investment figures for Q1 2010 show that business investment during Q1 was 7.8% higher than in Q4 2009 but 7.7% lower than in Q1 2009. May's Manufacturing PMI also notes that improving investment levels appear to be being reflected in rising orders for plant and machinery.

The Bank notes that investment intentions continue to be constrained by uncertainties about future levels of demand; continued spare capacity within firms; and a wish to hold on to cash reserves. It also recognises that access to finance has also held back investment intentions, with investments largely being made by large businesses that have been able to access non-bank sources of finance. However the Bank reports that credit conditions have improved in recent months (largely due to increased competition amongst both UK and overseas banks), but remain significantly tighter for smaller businesses. This is reflected in levels of demand for finance, which remain low as businesses choose to repay rather than extend their debts, including through replacing bank finance with non-bank debt and equity funding.

A number of recent surveys highlight businesses' concerns about the potential impact of future public spending cuts, both on future order levels (particularly in the construction / civil engineering sector and to a lesser extent parts of the service sector) and on wider consumer confidence and spending. Instability in the Eurozone has also created further uncertainties around the pace, strength and consistency of future growth. However, the Bank of England notes there are growing reports of businesses looking to export to new and growing economies where recovery has been quicker and stronger than the UK and Europe.

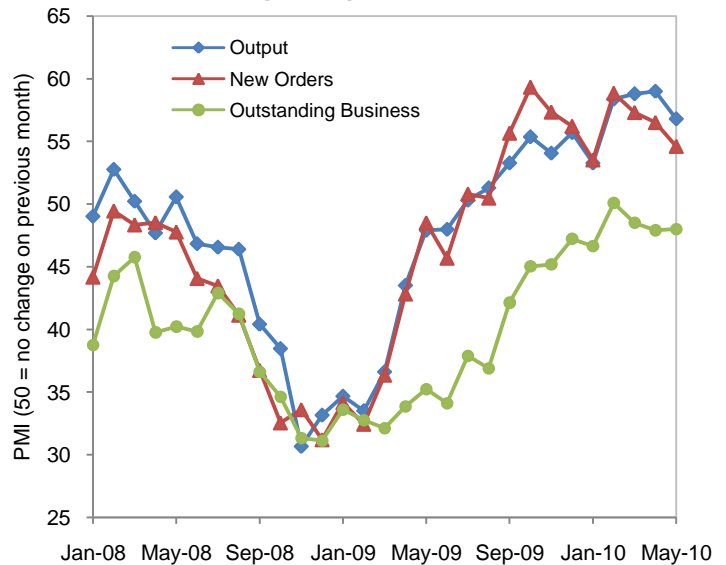
West Midlands Overview – Output / Business Activity

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.

For an eleventh consecutive month, businesses in the region saw growing business activity in May. Like most regions the West Midlands saw the pace of growth ease in May, to the weakest rate seen since January 2010. However it remained significant and was marginally above the UK average.

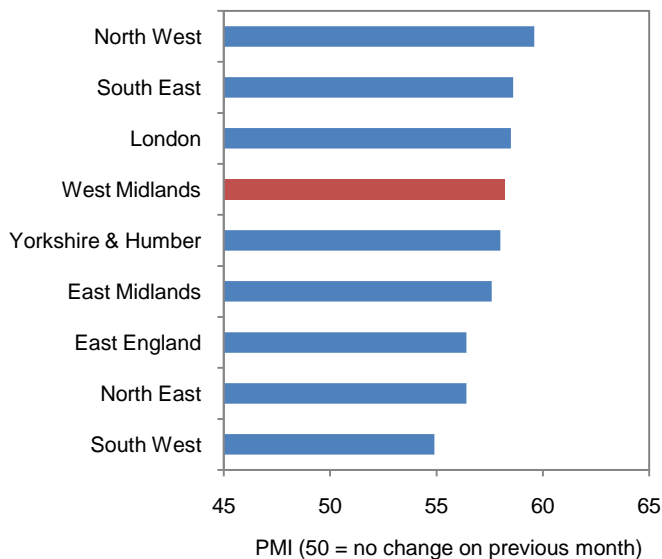
A similar pattern was seen in terms of new orders, with the pace of growth slowing to the weakest in four months. However growth remained robust and marginally above the UK average. Businesses attributed rising new orders to better market demand and improved confidence amongst customers, but noted that underlying demand remains fragile.

Purchasing Managers Index - West Midlands



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

PMI Output (3-month average)



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

Whilst both manufacturing and service sector businesses saw growth in both business activity and new orders during May, growth was stronger in the former.

Over the three months to May 2010, the West Midlands has seen the fourth-fastest rate of growth in business activity of the English regions (after the North West, South East and London). However the region continues to have seen the sharpest contraction in business activity over the last year.

Whilst overall businesses in the region reported a further fall in backlogs of orders during May, there were differences between sectors, with manufacturers reporting growing backlogs whilst service sector firms reported a reduction. Where firms reported a fall in their levels of outstanding business, they tended to attribute this to having spare capacity and/or efficiency gains.

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
January 2010	53.3	55.6	53.5	54.8	46.6	48.8
February 2010	58.4	58.7	58.8	58.0	50.1	49.4
March 2010	58.8	57.6	57.3	57.5	48.5	48.2
April 2010	59.0	56.4	56.5	55.9	47.9	49.3
May 2010	56.8	56.4	54.6	54.2	48.0	49.4

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

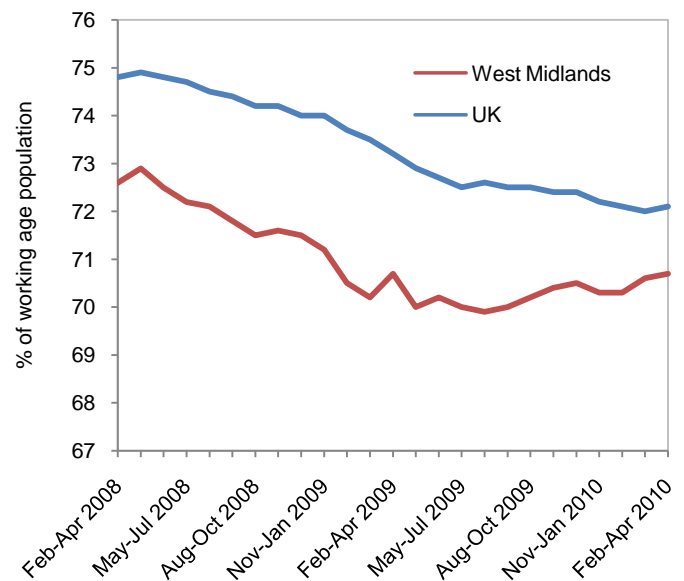
¹ The Index tracks output, new orders, employment and prices. An Index reading of 50.0 indicates no change on the previous month; readings above

West Midlands Overview – Labour Market

In the three months to April 2010 the number of people in employment in the West Midlands rose by 3,000 to 2.43 million. This total was 2,000 more than in three months to April 2009. The region's working age employment rate rose by 0.4 percentage points over the quarter to 70.7%, but was unchanged over the year.

There were 11,000 fewer economically active people in the West Midlands in the three months to April compared with the three months to January 2010. At 2.27 million, the current total was 10,000 less than a year earlier. The working age economic activity rate was 78.0% for the three months to April 2010. This was unchanged over the quarter but down 0.4 percentage points over the year to April. The working age economic inactivity rate rose by an equivalent amount to stand at 22.0% in the three months to April 2010. This equates to 721,000 people, down 1,000 over the quarter but up 13,000 over the year.

Employment Rate (seasonally adjusted)

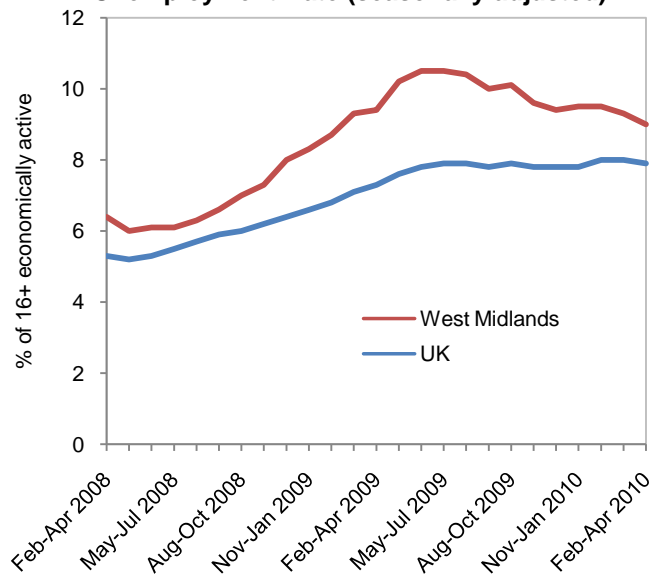


Source: ONS, Labour Market Statistics, June 2010

There were 240,000 unemployed people in the West Midlands in the three months to April 2010. This was 14,000 less than in the preceding three months and 12,000 less than in the three months to April 2009. The region's unemployment rate now stands at 9.0%, down 0.5 percentage points over the quarter and down 0.4 points over the year to April. The West Midlands has the joint-third highest unemployment rate of the UK regions, after Yorkshire and the Humber (9.6%) and the North East (9.3%) and level with London.

162,400 people claimed Jobseekers Allowance in the West Midlands in May 2010. This was 3,800 fewer than in April 2010 and 12,700 less than in May 2009. The region's claimant rate stands at 5.9%, falling 0.1 percentage point over the month and by 0.5 points over the year to May 2010.

Unemployment Rate (seasonally adjusted)



Source: ONS, Labour Market Statistics, June 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*	Feb - Apr 10	2,428	+3	+2	70.7	+0.4	0.0
Unemployment**	Feb - Apr 10	240	-14	-12	9.0	-0.5	-0.4
Economically active*	Feb - Apr 10	2,669	-11	-10	78.0	0.0	-0.4
Economically inactive***	Feb - Apr 10	721	-1	+13	22.0	0.0	+0.4
Claimant count ⁺	May 10	162.4	-3.8	-12.7	5.9	-0.1	-0.5

*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, June 2010

West Midlands Overview – Labour Market

The West Midlands PMI reports that employment levels in the region's private sector remained largely unchanged between April and May 2010, after having seen growth in April. However there were differences beneath this overall regional picture, with manufacturers increasing their staff numbers whilst the service sector shed jobs. Where firms had taken on new staff they largely attributed this to higher levels of business activity, whilst those shedding staff linked this to this company restructuring.

Over the three months to May 2010 the PMI reports that the West Midlands has seen the fourth slowest rate of employment growth of the English regions (after London, Yorkshire and the Humber and the South East). However the West Midlands continues to have seen the sharpest job-shedding of the UK regions over the last year. In May alone, three regions saw falling staff levels: London, Yorkshire and the Humber and the North West.

Jobcentre Plus reports that there were 2,438 notified redundancies in the West Midlands during May 2010, down from 2,565 in April. They were fairly evenly spread across the region, with 23% (556) in Birmingham and Solihull; 22% (527) in the Marches (Herefordshire, Shropshire, Telford & Wrekin and Worcestershire); 20% (480) in Staffordshire; 19% (470) in the Black Country; and 17% (405) in Coventry and Warwickshire. Over half of May's notified redundancies (1,311; 53%) were from the public sector.

There were 38,454 notified vacancies in the West Midlands in May 2010. This was 12% more than in April 2010 and 52% more than in May 2009. These increases are higher than the England averages, where vacancies have risen by 4% over the month and by 42% over the year. The greatest proportions of May's notified vacancies were in elementary, administration and service occupations (4,956; 13%) and caring personal service occupations (4,917; 13%), followed by sales occupations (4,269; 11%).

In some parts of the region there are currently far more registered JSA claimants than notified vacancies. For example, in Wolverhampton in May there were almost eight JSA claimants for every notified vacancy. In sharp contrast in North Warwickshire there were more notified vacancies available than there were JSA claimants.

Sub-Regional Picture

Non-seasonally adjusted figures show that the West Midlands had 164,443 JSA claimants in May 2010. This was 7,957 less than in April 2010 and 13,024 less in May 2009 (a 7% fall over the year). The regional claimant proportion was 5.0% in May 2010, down 0.2 percentage points over the month and down 0.4 percentage points over the year.

Within the region in May 2010:

- Birmingham had the largest number of JSA claimants (47,531), followed by Staffordshire (16,149) and Sandwell (12,682). Of the lower-tier districts the highest levels were in Nuneaton and Bedworth (3,482) and Newcastle-under-Lyme (2,615).
- Of the region's upper-tier and unitary authorities the lowest claimant levels were in Herefordshire (2,628) and Telford and Wrekin (4,358), whilst Malvern Hills and North Warwickshire had the lowest levels of the region's lower-tier authorities with 1,002 and 1,215 respectively.
- The highest claimant proportions in the region were in Wolverhampton (7.8%) and Birmingham (7.5%). Of the region's lower-tier districts the highest claimant proportions were in Nuneaton and Bedworth (4.7%) and Redditch (4.6%).

West Midlands Overview – Labour Market

- The lowest claimant proportions were in Stratford-on-Avon (1.9%) and Staffordshire Moorlands (2.2%). Of the region's upper-tier and unitary districts the lowest proportions were in Herefordshire (2.5%) and Shropshire (2.8%).

In terms of change between April 2010 and May 2010:

- All of the region's local authority districts saw a fall in their claimant level and claimant proportion over the month.
- The greatest reduction in claimant level over the month was seen in Birmingham (-1,548), followed by Staffordshire (-1,245). Of lower-tier districts Stafford saw the largest fall in its claimant level (-207), followed by Cannock Chase (-198).
- The smallest reductions in claimant levels were seen in Malvern Hills (-30) and Rugby (-70). Of upper-tier districts the smallest reductions were in Herefordshire (-204) and Shropshire (-245).
- Cannock Chase and Walsall saw the greatest falls in claimant proportions between April and May 2010, both falling by 0.4 percentage points. In contrast six districts saw their claimant proportion fall by just 0.1 percentage points (Coventry, Rugby, Staffordshire Moorlands, Malvern Hills, Lichfield and Shropshire).

In terms of change over the year to May 2010:

- Staffordshire has seen the largest fall in its claimant level (-2,938), followed by Warwickshire (-2,004). Of the region's lower-tier districts the largest falls over the year have been in Cannock Chase (-568) and Wychavon (-502).
- Of the region's upper-tier and unitary districts, the smallest reductions in claimant levels over the last year have been in Wolverhampton (-120) and Sandwell (-150). Of lower-tier authorities the smallest reductions have been in been in Malvern Hills (-20) and Worcester (-210).
- In relative terms Stratford-on-Avon has seen the greatest percentage increase in its claimant level, rising 26% in the year to May, albeit from a relatively low base. In contrast Wolverhampton and Sandwell have seen their claimant levels rise by just 1% over the year from a much higher starting point.
- In terms of claimant proportions Cannock Chase has seen the largest fall over the year to May 2010, dropping by 1.1 percentage points. This is followed by Redditch and North Warwickshire that have each seen their claimant proportion fall by 0.9 percentage points.
- Four districts in the region have seen their claimant proportion fall by only 0.1 percentage points over the last year: Sandwell, Birmingham, Malvern Hills and Wolverhampton.

West Midlands Overview – Labour Market

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

	May 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	164,443	5.0	-7,957	-0.2	-13,024	-0.4	-7%
Herefordshire	2,628	2.5	-204	-0.2	-426	-0.5	-14%
Stoke-on-Trent	7,824	5.3	-546	-0.3	-1,157	-0.7	-13%
Telford and Wrekin	4,358	4.3	-264	-0.3	-490	-0.5	-10%
Shropshire	4,699	2.8	-245	-0.1	-387	-0.2	-8%
Staffordshire	16,149	3.2	-1,245	-0.2	-2,938	-0.6	-15%
Cannock Chase	2,571	4.3	-198	-0.4	-568	-1.0	-18%
East Staffordshire	2,222	3.4	-180	-0.2	-393	-0.6	-15%
Lichfield	1,600	2.8	-112	-0.1	-398	-0.6	-20%
Newcastle-under-Lyme	2,615	3.4	-169	-0.2	-392	-0.5	-13%
South Staffordshire	1,897	3.0	-179	-0.3	-240	-0.4	-11%
Stafford	1,924	2.5	-207	-0.3	-306	-0.5	-14%
Staffordshire Moorlands	1,224	2.2	-105	-0.1	-376	-0.6	-24%
Tamworth	2,096	4.3	-95	-0.2	-265	-0.6	-11%
Warwickshire	10,199	3.2	-682	-0.2	-2,004	-0.6	-16%
North Warwickshire	1,215	3.2	-113	-0.3	-361	-0.9	-23%
Nuneaton and Bedworth	3,482	4.7	-173	-0.2	-418	-0.5	-11%
Rugby	1,997	3.7	-70	-0.1	-283	-0.5	-12%
Stratford-on-Avon	1,299	1.9	-141	-0.2	-451	-0.6	-26%
Warwick	2,206	2.6	-185	-0.2	-491	-0.5	-18%
Birmingham	47,531	7.5	-1,548	-0.2	-962	-0.1	-2%
Coventry	10,745	5.5	-267	-0.1	-490	-0.2	-4%
Dudley	9,776	5.3	-598	-0.3	-782	-0.4	-7%
Sandwell	12,682	7.2	-454	-0.3	-150	-0.1	-1%
Solihull	4,845	4.0	-296	-0.2	-505	-0.4	-9%
Walsall	10,121	6.7	-552	-0.4	-826	-0.6	-8%
Wolverhampton	11,201	7.8	-331	-0.2	-120	-0.1	-1%
Worcestershire	11,685	3.5	-725	-0.2	-1,787	-0.5	-13%
Bromsgrove	1,844	3.3	-111	-0.2	-221	-0.4	-11%
Malvern Hills	1,002	2.4	-30	-0.1	-20	-0.1	-2%
Redditch	2,329	4.6	-118	-0.2	-491	-0.9	-17%
Worcester	2,387	4.0	-158	-0.3	-210	-0.4	-8%
Wychavon	1,814	2.6	-169	-0.3	-502	-0.8	-22%
Wyre Forest	2,309	3.9	-139	-0.3	-343	-0.6	-13%

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, June 2010

West Midlands Overview – Labour Market

Regional Employment Monitoring

Manufacturing

- Around 120 jobs could be at risk at the **Maple Leaf Bakery** in Walsall due to a dispute over new contract terms.
- Walsall-based leather manufacturer, **George Stuart Holdings** has gone into administration with the loss of 35 jobs.
- The **Highgate & Davenports** brewery in Walsall has gone into liquidation with the loss of around 20 jobs.
- **Anglo Beef Processors** is seeking planning permission to double the size of its North Shropshire abattoir.

Services

- 500 jobs are at risk in Coventry after the insurance firm **Axa** announced plans to sell parts of its UK operations.
- **Vodafone** has confirmed that 60 jobs are at risk in its Etruria-based customers services team as the company considers plans to transfer the service to Egypt.
- Private firm, **Hunters Moor Neurorehabilitation** is to create up to 75 jobs in Birmingham as it opens a new brain injury rehabilitation unit across two sites in Hall Green.
- Telford-based mobile phone company, **Excell Communications** is to create 50 new jobs as it moves to a new site.
- **Severn Trent Water** is recruiting 30 finance staff for its new Coventry headquarters due to open in September.

Construction

- **Euroseal Windows** plans to create up to 100 new jobs following the development of its new headquarters in Hanley in Stoke-on-Trent.

Retail & Leisure

- Worcestershire company **Orillo** has gone into administration with the closure of its plumbing, bathroom and DIY branches in Worcester, Evesham, Malvern and Droitwich.
- **Superdrug** has closed its Bromsgrove store during June, with the loss of 15 jobs.
- **Sainsburys** is recruiting up to 390 jobs for new stores in Biddulph and Newcastle-under-Lyme.
- Over 100 jobs are expected to be created as **TJ Hughes** takes on the former Woolworths store in Nuneaton.
- **JD Wetherspoon** will create 40 jobs at a new bar in Coventry.
- Plans for a £20 million investment in a major new tourist and leisure attraction at **Evesham Country Park** have been submitted to Wychavon District Council.

Distribution

- **B&Q** has announced that it may close its local distribution centre near Coventry, with the potential loss of 157 jobs.
- Stourbridge-based firm, **Cuppa Vending**, has gone into administration with the loss of over 50 jobs.
- Black Country-based company **DCB Services** has opened a new catering distribution centre in Darlaston with the creation of 40 jobs and the potential for further jobs in the future.

Public sector

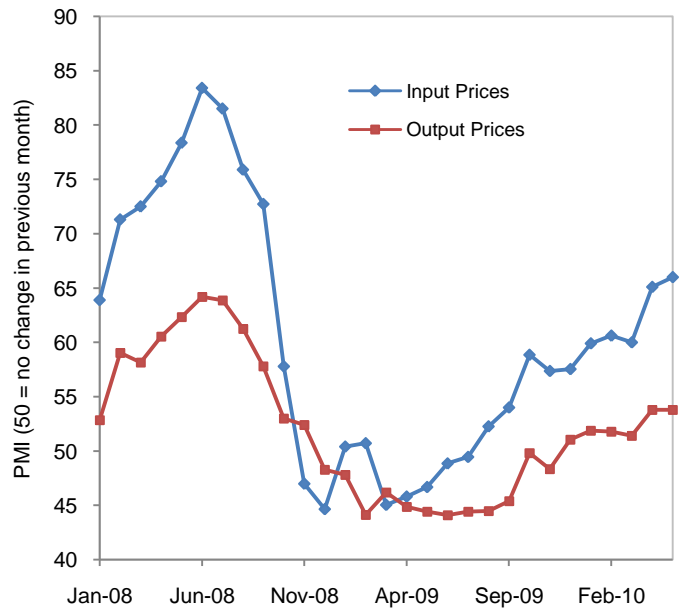
- Around 500 jobs will be lost in Coventry with the closure of the **Qualifications and Curriculum Development Agency** (QCDA) following Government funding cuts.
- Government has confirmed that Regional Development Agencies will be abolished and replaced by Local Enterprise Partnerships, putting the 300 jobs at **Advantage West Midlands** at risk.
- 70 jobs are at risk at the **West Midlands Leaders Board** following the withdrawal of Government funding and its statutory responsibilities for the Regional Spatial Strategy.
- **South Staffordshire College** is shedding 70 teaching posts, spread across its four campuses in Cannock, Lichfield, Rodbaston and Tamworth.
- **University Hospital** in North Staffordshire is to recruit seven new pharmacy posts.

West Midlands Overview – Inflation

In May, the West Midlands PMI found that businesses in the region continued to report higher input prices, making it the tenth consecutive month of rising costs. Furthermore prices rose at the fastest rate seen since September 2008 and markedly faster than the UK average, with businesses noting higher prices for steel, timber and fuel in particular. Manufacturers continued to see sharper price inflation than firms in the service sector.

Overall businesses also reported higher output prices for the sixth successive month in May. Whilst the rise was at a slightly faster rate than the UK average, it did not match that of input prices, highlighting continued pressure on businesses' profit margins as businesses continue to compete hard for scarce work. However there remained a clear difference between sectors, with manufacturers raising their charges whilst service sector firms reported that they had reduced their prices. Where businesses increased their charges, they largely said this was in order to respond to higher input prices.

Purchasing Managers Index - West Midlands



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

West Midlands Overview – Housing, Property & Regeneration

The Land Registry reports that average house prices fell by 0.3% between April and May 2010. Just three regions in England and Wales saw an increase over the month: the South East, London and the North West. Average prices in the West Midlands rose by 4.4% in the year to May 2010, almost half the average seen for England and Wales (8.2%). Within the region Coventry and Dudley saw the largest rise in prices in the region between April and May (+1.0%). Solihull has seen the highest growth in prices in the region over the last year and the joint highest growth (alongside Trafford) of all metropolitan districts in England and Wales (+12.2%). Stoke-on-Trent saw the largest fall in average prices both over the month (-0.8%) and the year (-1.7%).

The RICS Housing Market Survey reports that surveyors saw a small fall in average prices in the West Midlands during May, with the balance of surveyors reporting rising prices falling from +5% in April to -3% in May.

Average House Price Changes (May 2010)

	Monthly Change (%)	Annual Change (%)	Average Price (£)
West Midlands	-0.3	+4.4	£135,697
Herefordshire	-0.1	+6.1	£177,148
Stoke-on-Trent	-0.8	-1.7	£77,461
Shropshire	+0.2	+5.5	£165,343
Staffordshire	+0.2	+3.7	£137,022
Warwickshire	+0.1	+7.1	£163,502
Birmingham	+0.4	+5.5	£120,940
Coventry	+1.0	+9.3	£113,289
Dudley	+1.0	+6.3	£130,567
Sandwell	-0.6	+5.6	£104,236
Solihull	+0.3	+12.2	£198,979
Walsall	+0.2	+4.6	£118,553
Wolverhampton	-0.1	+4.5	£109,907
Worcestershire	-0.6	+5.5	£167,182

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, June 2010.

Spotlight on the Implications of Fiscal Tightening for the Region

The UK presently has the largest budget deficit of any G20 country and the new Government has made tackling the deficit one of its key priorities. It initially announced in May some £6.2 billion of spending cuts for 2010/2011 and further committed to reducing the deficit at a more rapid pace than the previous administration.

The Spending Review Framework

Further details of the broad thrust of future deficit reduction measures were set out in the Spending Review Framework in early June which noted:

- the bulk of the deficit reduction will be through reductions in spending rather than increased taxes;
- spending on health and overseas aid will be protected;
- Government will try to limit the impact of the reductions on the most vulnerable in society and on those regions heavily dependent on the public sector;
- reductions will protect, as far as possible, spending that generates high economic returns;
- all departments are to publish business plans showing the structural reforms they will implement to create more effective accountability and the measures they will take to ensure that effective results are delivered from the resources and inputs agreed in the Spending Review;
- the previous system of PSA targets will to be removed (replaced by the business plan approach); and
- the Framework will provide a platform to consider new and radical approaches to public service provision.

The Emergency Budget

The Budget² provided further details of how the Government planned to reduce the deficit principally through cutting spending, rather than increasing taxes. Further actions were announced to eliminate the bulk of the structural deficit through plans for additional consolidation of £40 billion per year by 2014-15. These plans include:

- £32 billion per year by 2014-15 from spending reductions. This includes £30 billion of current spending reductions and no further reductions in capital spending beyond those already announced;
- as part of these spending reductions, the Budget announces £11 billion of welfare reform savings designed to reward work and protect the most vulnerable, including adopting the Consumer Prices Index for the indexation of benefits, tax credits and public service pensions from April 2011. The Budget also announces a two-year freeze in public sector pay, except for those earning less than £21,000 a year; and
- £8 billion per year from net tax increases. This includes an increase in the main standard rate of Value Added Tax (VAT) to 20% and the standard and higher rate of Insurance Premium Tax (IPT) to 6% and 20% from 4th January 2011.

Going forward, during July initial Ministerial discussions on priorities will be held, followed by an external engagement programme in August and the Comprehensive Spending Review (20th October) which will see Departmental settlements and results released.

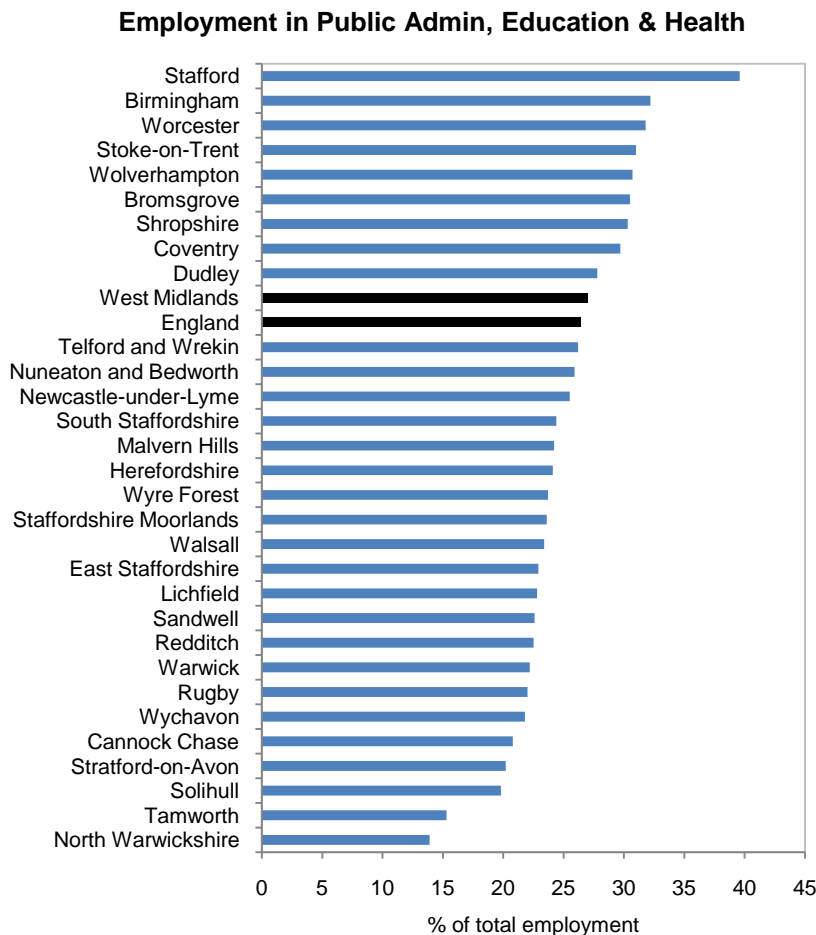
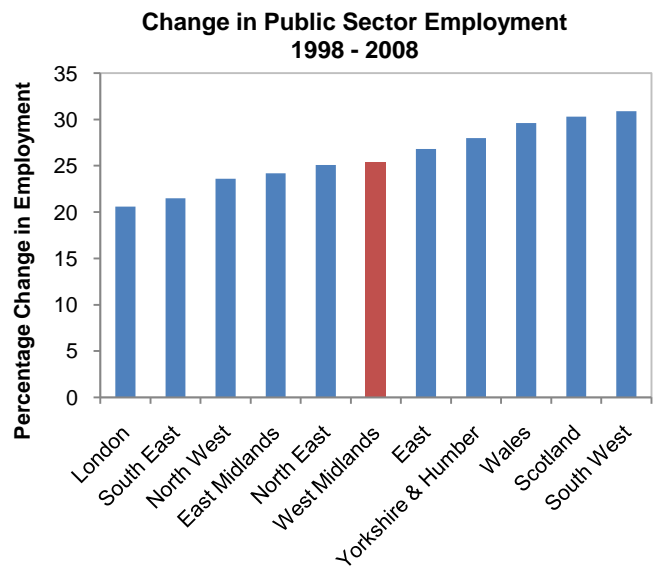
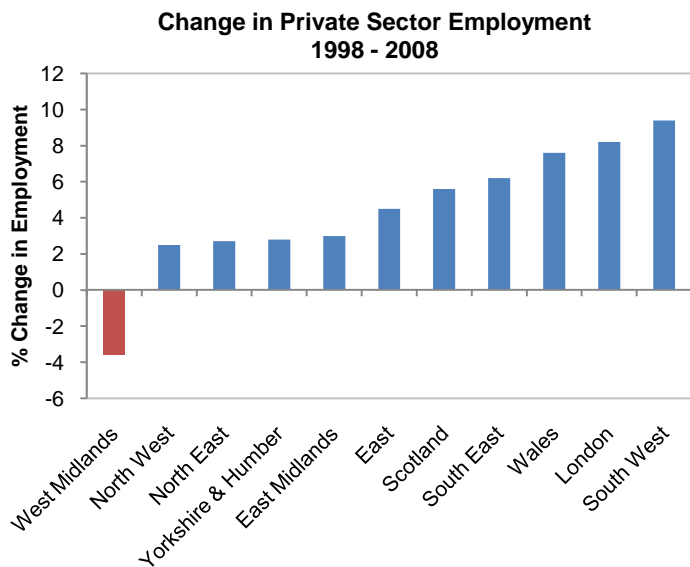
Impact on the West Midlands Region

The deficit reduction measures will have widespread implications across the economy although will perhaps be most 'visible' in terms of the impact on public sector jobs and especially those in public administration. It has been evident over a number of years that the UK and regional economies have become more dependent on growth in the public

² HM Treasury. The Budget, HMSO: 22nd June 2010.

Spotlight on the Implications of Fiscal Tightening for the Region

sector. The World Economic Forum's Global Competitiveness Index showed the UK's ranking falling from seventh to thirteenth place between 1997 and 2009-10. If growth is to be balanced and sustainable, it needs to be based on an expansion in the private sector and UK businesses need an environment which helps them compete in a global market place. This is a particular issue for the West Midlands which has seen a significant increase in the public sector employment, but has been the only UK region to see a contraction in private sector employment over the past decade.



At headline level a number of local authority districts in the region have very high proportions of employment in the public sector (public administration, education and health). Stafford district has the highest share of public sector employment at 40%, followed by Worcester and Birmingham (32%) and Stoke-on-Trent, Bromsgrove and Wolverhampton (31%). This compares with a West Midlands average of 27% (not far off the England average of 26%).

Looking at more detailed industry sector data it is possible to draw out just the public administration component of this overall figure and to exclude employment related to compulsory social service, defence and law enforcement functions. This highlights that Stafford district has more than double the proportion of such employment (7%) than the average regionally and nationally (3%), whilst Telford and Wrekin, Wolverhampton and Birmingham also have high shares (5%).

Spotlight on the Implications of Fiscal Tightening for the Region

Reductions in public sector spend will, of course, have wider ramifications for the economy, not least in terms of lower levels of disposable income (and spend), but also for certain sectors. It is likely for example that arts and culture, regeneration and community development activities might be particularly affected. Also public sector capital spending accounts for a considerable proportion of overall construction output.

Sector	Proportion of West Midlands Notified Redundancies	
	Jan - Mar 2009	Mar – May 2010
Manufacturing	56%	17%
Services	32%	24%
Construction	4%	11%
Public Sector	6%	41%
Other (inc. agriculture & fishing and energy & water)	2%	7%

Looking at the pattern of redundancy notifications in the region it is already apparent that there has been a marked shift during the economic downturn: whilst manufacturing accounted for the majority of redundancies early on in the recession, increasingly it is the public sector which accounts for the lion's share. This is a pattern which will be accentuated further in the coming months.

Looking forward the Budget forecasts the UK economy to grow by 1.2% this year, 2.3% in 2011, and 2.8% in 2012. A key issue remains how evenly distributed this growth will be given the strong north-south divide in the UK economy. This will be a particular challenge for the West Midlands where employment growth has been dominated by the public sector, and in contrast to other UK regions over the period 1998-2005 employment in the private sector contracted.

For further information or discussion on the issues raised here please contact Glynn Jones at glynnjones@advantagewm.co.uk or Sally Irgin at sallyirgin@advantagewm.co.uk