

West Midlands monthly economic update report

October 2009

National Headlines:

- Contrary to expectations, preliminary estimates are that the UK's GDP contracted again in Quarter 3 2009 (by 0.4%). This is the sixth consecutive quarter of negative growth, the longest period on record.
- September was the fourth successive month in which the Manufacturing PMI has reported growing business activity, although the pace of growth slowed. The sector also saw new export orders grow faster than in August.
- The Services PMI reports that in September the sector saw the fastest growth of business activity for two years. September was the sector's fifth month of growing business activity and the third of rising new orders.
- The construction sector saw further contractions in both business activity and new orders in September and faster job-shedding. However the housing sub-sector saw its first, small rise in business activity for 22 months.
- In the three months to August 2009 the number of people in employment in the UK fell by 45,000, resulting in the national working age employment rate falling 0.3 percentage points to 72.6%.
- Unemployment in the UK rose by 88,000 over the last quarter. The national unemployment rate now stands at 7.9%, up 2.1 percentage points over the last year.
- Annual inflation (according to the Consumer Price Index) in the year to September 2009 was 1.1%, lower than the 1.6% reported for the year to August. The Retail Price Index fell by 1.4% in the year to September.
- The British Chambers of Commerce's Quarterly Economic Survey for Quarter 3 2009 reports significant improvements in confidence for future turnover and profitability, but continued negative balances for employment, cashflow, investment in plant and machinery and domestic sales and orders.

Regional Headlines:

- September's PMI for the West Midlands reported a third consecutive month of growing business activity. The pace of growth was the best the region has seen since October 2007, but still just below the national average.
- Whilst the region's businesses overall reported the best growth in new orders for over two years, strong improvements for the manufacturing sector masked continued contraction of new orders in the service sector.
- The three months to August 2009 saw the number of employed people in the West Midlands rise by 6,000, but the region's working age employment rate remain unchanged at 69.9%, markedly below the UK average (72.9%)
- Unemployment in the West Midlands rose by 5,000 in the three months to August. The region's unemployment rate now stands at 10.4%, up 4.0 percentage points over the last year. It is the highest rate of the UK regions.
- 3,500 more people claimed Jobseekers Allowance (JSA) in the region in September compared with August. This was the highest month-on-month rise since April 2009.
- Non-seasonally adjusted claimant figures show that the actual number of claimants in the region fell in many of the region's local authority districts between August and September. However Birmingham and Sandwell still saw significant increases in their claimant levels.
- The ratio of JSA claimants to notified vacancies varies significantly in the region, with over 11 claimants for each vacancy in Staffordshire Moorlands compared to under two per vacancy in North Warwickshire.
- Businesses in the region are seeing greater pressures than some other regions as a result of rising input prices and falling output prices. Significant discounting to win new orders is a key driver of these pressures.

UK Overview – Output / Business Activity

Contrary to widespread expectations that Quarter 3 (Q3) 2009 would see small positive growth in GDP, preliminary estimates report a contraction of 0.4%. Q3 is the sixth successive quarter of negative growth, the longest period on record. Distribution, hotels & restaurants, mining & quarrying and construction made the largest contributions to the quarter's contraction. In addition manufacturing saw a larger contraction than in Q2. The final estimate of GDP for Q2 2009 now confirms a fall of 0.6%, revised upwards from the earlier preliminary estimate of -0.7%. GDP in Q2 2009 was 5.5% lower than Q2 2008, the largest annual fall since quarterly records began in 1955. On average independent forecasts suggest the UK economy will contract by a total of 4.3% in 2009. They forecast a return to growth in 2010, albeit only small at 1.2% (up from an average forecast of 1.0% in September).

Manufacturing – the Index of Production reports that the three months to August 2009 saw manufacturing output unchanged compared with the previous quarter. The largest rises in output over the quarter were in wood and wood products (+9.3%); transport equipment (+7.8%); and rubber and plastic products (+3.1%). In contrast the largest falls were seen in paper, printing and publishing (-2.8%); chemical and man-made fibres (-1.9%); and electrical and optical equipment (-1.9%). The Manufacturing PMI reports that business activity continued to expand in September (the fourth month running), but its rate eased sharply. September saw a third consecutive month of rising new orders, albeit at a slower rate than preceding months. In addition new export orders increased at a faster rate than in August. Producers of consumer and intermediate goods saw rising output and new orders, whilst the investment goods sector saw a steeper contraction. The PMI notes that whilst the latest figures suggest a subdued recovery, the future is uncertain given the sector's current reliance on discounting and fiscal stimulus measures.

Automotive manufacturing – the Society of Motor Manufacturing and Traders (SMMT) reports that September's car production was 16.1% down on 2008 figures, the lowest pace of decline in the last year. Car registrations rose for the third month in September, up 11.4% on the previous year but still 9.5% less than the month's average for 1999-2008. The Car Scrappage Scheme continues to encourage car production and registrations by private buyers. In contrast, September's fleet and business vehicles registrations were 13.6% and 11.3% down on 2008. The Scheme has been extended to cover a further 100,000 cars and vans, expected to support demand into 2010.

Services – the September Services PMI reported the fastest expansion of business activity for two years, with confidence levels suggesting that growth will be sustainable. Many businesses reported that they expect to benefit from continued improvements in economic conditions, although some noted that this would be from the low base of recent months. September was the fifth month of growing business activity, underpinned by a third month of rising new orders. Growth was strong in business-to-business services, whilst transport and storage continued to see a contraction in activity. Despite rising business activity, the sector saw a further contraction in outstanding business. This suggests there remains excess capacity in the sector, further reflected in continued job-shedding.

Construction – final GDP figures for Q2 2009 significantly revised the construction sector's output, reporting a fall of 0.8% on the previous quarter rather than the -2.2% initially estimated. But September's Construction PMI reported a faster contraction in business activity than recent months, despite only a small reduction in new orders. The contraction in business activity was faster for the civil engineering and commercial sub-sectors, whilst the housing sub-sector saw its first (small) rise in activity for 22 months. Where businesses reported falling new orders they blamed competitive pricing and clients' budget constraints. September's PMI also reported the steepest job-shedding for three months.

Retail – according to the British Retail Consortium (BRC), like-for-like retail sales rose by 1.6% in the three months to September 2009 compared with the same period in 2008. Food sales continued to outperform non-food sales, rising 2.9% compared to 0.8%. However food sales growth was the weakest since March due to lower food price inflation. Improvements in consumer confidence (in particular compared to September 2008 when financial markets crashed) and the housing market have resulted in improvements in the sales of homewares and furniture. Non-food, non-store sales (e.g. internet, mail-order and phone sales) continue to see higher levels of annual growth and also improved in September, up 11.9% compared to the 7.9% reported in August. There are however significant concerns for this sub-sector in light of forth-coming postal strike(s).

UK Overview – Labour Market

There were 28.95 million people in employment in the UK in the three months to August 2009. This was 45,000 fewer than the previous quarter and 467,000 less than a year earlier. The national employment rate for people of working age fell by 0.3 percentage points over the quarter to 72.6%. This is 1.8 percentage points lower than the same period in 2008. The working age employment rate for women was unchanged over the quarter at 69.1%. However the rate for men fell by 0.6 percentage points to 75.7%.

The number of people in full-time employment continues to fall. In the three months to August 2009 there were 121,000 fewer people in full-time employment than the previous quarter. The number of people in part-time employment rose by 76,000 over the quarter. The Labour Force Survey for the three months to August reports that some 233,000 people said they had been made redundant during the previous three months. This is 68,000 fewer than reported in the three months to May, but 85,000 more than the same period last year.

The number of unemployed people in the UK rose by 88,000 in the three months to August 2009. The current total of 2.47 million is 677,000 more than a year ago. Over the last year the national unemployment rate has risen by 2.1 percentage points to 7.9%. In the three months to August the rate has risen by 0.3 percentage points.

The number of people claiming Jobseekers Allowance (JSA) rose by 20,800 people between August and September to total 1.63 million. This is 670,100 more than in September 2009. The national claimant rate now stands at 5.0%, up 0.1 percentage points over the month and by 2.1 over the year. The number of notified job vacancies in the three months to September 2009 was unchanged on the previous three months, but at 434,000 was 163,000 fewer than a year earlier.

The number of economically active people within the UK rose by 43,000 in the three months to August 2009 to total 31.42 million. This is 210,000 more than a year earlier. However the national working age economic activity rate has fallen slightly, at 79.0% it is 0.1 percentage points lower than both the previous quarter and the same period in 2008. As a result the working age economic inactivity rate has risen by 0.1 percentage points and now stands at 21.0%. Over the three months to August the number of economically inactive people of working age rose by 50,000 to 7.97 million. This total is 80,000 more than a year ago.

UK Labour Market Statistics

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Jun- Aug 09	28,952	-45	-467	72.6	-0.3	-1.8
Unemployment**	Jun- Aug 09	2,469	+88	+677	7.9	+0.3	+2.1
Economically active*	Jun- Aug 09	31,422	+43	+210	79.0	-0.1	-0.1
Economically inactive***	Jun- Aug 09	7,965	+50	+80	21.0	+0.1	+0.1
Claimant count ⁺	September 09	1,626.8	+20.8	+670.1	5.0	+0.1	+2.1

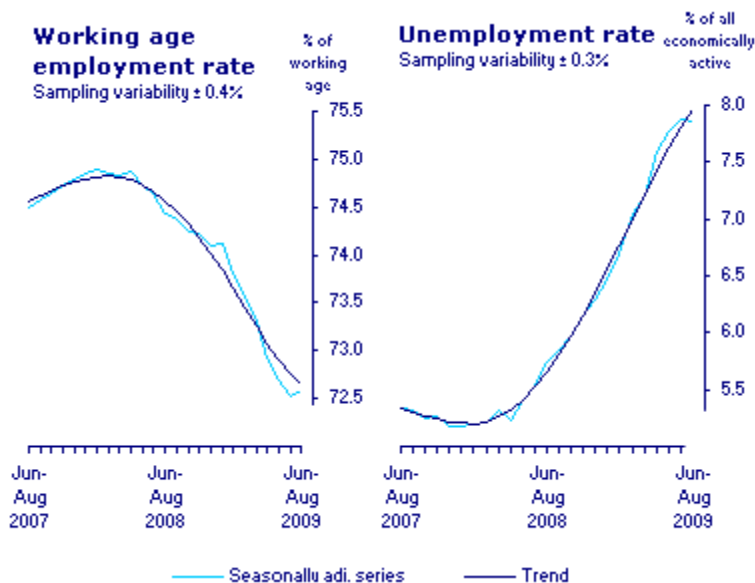
*Levels are for those aged 16 and over; rates for those of working age (16 – 59/64)

** Levels and rates are for those aged 16 and over; rate is a proportion of economically active

*** Levels and rates are for those of working age

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

Source: ONS, Labour Market Statistics, October 2009



Source: ONS, Labour Market Statistics, October 2009

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 1.1% in the year to September 2009, this is lower than the 1.6% reported in August. The greatest downward pressures on the CPI over the month came from housing and household services, principally driven by gas and electricity prices. Further, smaller downward pressures came from food and non-alcoholic beverages; restaurants and hotels; and recreation and culture. The most significant upward pressure continued to come from transport costs, driven by fuels and lubricants. Additional, smaller upward pressures came from clothing and footwear.

The Retail Price Index (RPI), which includes a wider set of housing-related costs, fell by 1.4% in the year to September, a slightly larger fall than the 1.3% reported the previous month. The RPI saw the greatest downward pressures over the month come from gas and electricity, with smaller contributions from food and leisure goods and services. It saw upward pressures from motoring expenditure and to a lesser extent clothing and footwear.

The Producer Price Indices (PPI) monitor the price changes of goods bought and sold by UK manufacturers, with input prices being the prices of materials and fuels bought by UK manufacturers and output prices the prices at which their goods are sold to home markets.

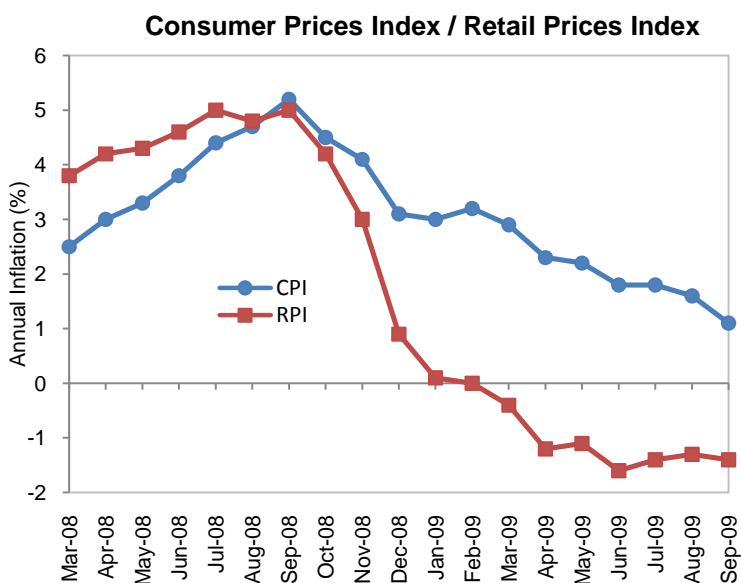
Producer Price Indices

Date	Percentage Change			
	Input Prices (material and fuels purchased – not seasonally adjusted)		Output Prices (all manufactured products – not seasonally adjusted)	
	12 months	1 month	12 months	1 month
April 2009	-5.8	-1.8	1.3	0.7
May 2009	-8.8	1.1	-0.3	0.4
June 2009	-12.0	0.5	-1.0	0.1
July 2009	-12.2	-1.1	-1.3	0.2
August 2009	-7.7	2.0	-0.3	0.3
September 2009	-6.5	-0.5	0.4	0.5

Source: National Statistics, Producer Prices Index, October 2009

UK manufacturers' input prices fell by 6.5% in the year to September 2009, a smaller drop than the -7.7% reported in August. They fell by 0.5% between August and September as a result of a drop in crude oil prices, in part offset by rising prices for imported parts and equipment. When excluding sectors that see more volatile price changes (food, beverages, tobacco and petroleum), input prices fell by 1.7% in the year to September and rose by 0.6% between August and September. The latest Manufacturing PMI reports some businesses are finding that shortages at suppliers are feeding through to their input costs.

UK manufacturers report that their output prices for home sales rose by 0.4% in the year to September, compared with the fall of 0.3% reported for the year to August. This is the highest annual rise since April 2009. Between August and September 2009 prices rose by 0.5% driven by the rising costs of petroleum and other manufactured products, partially offset by rises in tobacco and alcohol and paper products. It is estimated that changes to the excise duty levied on petroleum products has contributed 0.2 percentage points of this month-on-month rise. When excluding volatile sectors, output prices have risen by 1.4% in the year to September and by 0.5% between August and September.

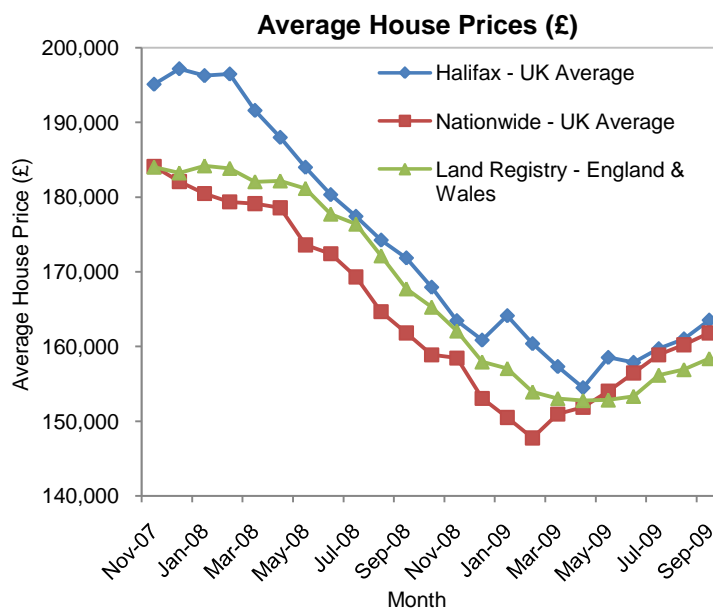


Source: Office of National Statistics, October 2009

UK Overview – Housing, Property & Regeneration

The Land Registry reports that average house prices rose by 0.9% between August and September 2009. Similarly the Halifax and Nationwide reports that prices rose by 1.6% and 0.9% respectively over the month. In the year to September the Land Registry reports that average prices have fallen by 5.6%. The Halifax reports an annual fall of 7.4%, whilst the Nationwide reports that prices in September 2009 match those in September 2008. The Halifax states that average prices are now at a similar level to mid-2005.

Month-on-month rises continue to be a result of increasing buyer demand and a low stock of properties for sale. This price growth is likely to slow in coming months when supply is boosted as more people are encouraged to put their property on the market and buyer demand is restrained by rising unemployment, limited earnings growth, potential interest rate rises and the end of the stamp duty holiday.



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

A key factor driving buyer demand has been significant improvements in affordability. The Halifax reports that average mortgage repayments for a new borrower in Quarter 3 2009 were 30% of average disposable earnings. This ratio is lower than the 25-year average of 37% and significantly less than the peak of 48% in Quarter 3 2007.

The Royal Institute of Chartered Surveyors (RICS) reports that for a second month September saw more surveyors seeing price increases over the month than seeing price falls and that this net balance (22%) was greater than in August (10%). The RICS reports that sales activity continues to improve due to more activity by both vendors and buyers. However they note that new buyer enquiries continue to outstrip the rate at which properties are coming onto the market. As a result surveyors' sales and price expectations have also improved over the last month.

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
Mar 09	159	399	664	539	103	459	2,323
Apr 09	182	551	710	1,149	134	655	3,382
May 09	127	427	751	844	86	508	2,742
Jun 09 ^r	183	339	524	628	160	598	2,431
Jul 09 ^p	255	401	1,021	899	81	437	3,094
Aug 09 ^p	273	321	707	657	98	512	2,568

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

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

In the three months to August 2009 the total value of new construction orders fell by 4% compared to the preceding three month period and was 9% lower than the same months in 2008. Total new orders in the 12 months to August are 23% lower than the previous year. Private housing orders in the three months to August were 23% lower than the preceding quarter and 22% lower than the same period in 2008. In contrast public housing and housing association orders rose by 52% in the three months to August compared to the three months to May and were 9% higher than a year earlier. New infrastructure orders rose by 6% over the quarter and by 46% over the year. Public sector, non-housing, non-infrastructure orders fell by 14% over the three months, but were 14% higher than year previously. Whilst private commercial orders fell by 5% in the three months to August, private industrial orders rose by 5%. However they were 44% and 46% lower than a year earlier.

UK Overview – Confidence & Investment

Consumers

The Nationwide's Consumer Confidence Index (NCCI) rose by six points between August and September 2009, a much stronger increase than recent months. At 71, the Index is now 24 points higher than a year ago but still classes as 'gloomy' on the Index's confidence barometer.

Consumers' expectations for the future saw particular improvements over the month, with this sub-index rising nine points. The improvement over the month reflected 39% of respondents believing that the economic situation in six months' time will be better, the highest proportion since the NCCI began in May 2004 and five points higher than in August. Similarly the proportion of people who think the economic situation will be worse in six months' time fell three percentage points over the month to 18%. In terms of future employment conditions, 27% of people thought there will be more jobs available in six months' time, significantly up from the 15% reported in January. Equally the proportion who believes there will be few jobs available in six months' time fell by six points over the month to 50%.

Confidence in present conditions also improved but remains close to historic lows. Fewer people believe that the current economic situation is bad (down three points to 69%) and 23% believe there are currently many jobs available (up from 18% in August). However 66% of people think there are currently not many or few jobs available.

In terms of spending confidence, the proportion of people who feel now is a good time to make a major purchase (e.g. house, car) rose from 33% in August to 39% in September. The proportion thinking it is a good time to buy white or brown goods also rose, from 39% the previous month to 42%. Consumers are also more confident about future house price increases, with them expecting prices to rise by 1.2% over the next six months (up from the rise of 0.2% they expected in August).

Whilst confidence in present conditions improves and there is greater optimism for the future, it is expected that recovery will continue to be slow and drawn out as consumers adapt to economic conditions and continued weaknesses in the labour market. Latest figures show weak earnings growth, with average earnings (excluding bonuses) in the three months to August 2009 1.9% higher than the same period in 2008. This is 0.3 percentage points lower than in the three months to July 2009. Caution is also reflected in the latest household spending figures. Households are increasingly choosing to cut back on spending and to increase their savings. This is despite many benefiting from increases in disposable income (up 0.9% between Q1 and Q2 2009) as a result of lower interest payments. GDP figures for Q2 2009 show a 0.6% fall in household consumption, whilst on average households are now saving 5.6% of their resources, the highest level since Q4 2003.

Business

The British Chambers of Commerce's Quarterly Economic Survey for Q3 2009 reports improvements across all of the survey's key indicators. In particular the survey saw significant improvements in its confidence measures (expectations for turnover and profitability over the next 12 months) compared to Q2. These improvements were especially apparent amongst manufacturing businesses. The survey highlights that whilst many businesses felt that they are now past the worst of the recession, recovery will be fragile.

Critically the survey continued to find negative balances in terms of employment, cashflow, investment in plant and machinery and domestic sales and orders. The balance of manufacturing businesses planning to increase investment in plant and machinery increased by 12 points to -18%, whilst the balance for service sector businesses rose by nine points to -9%. These were the highest levels since Q3 2008.

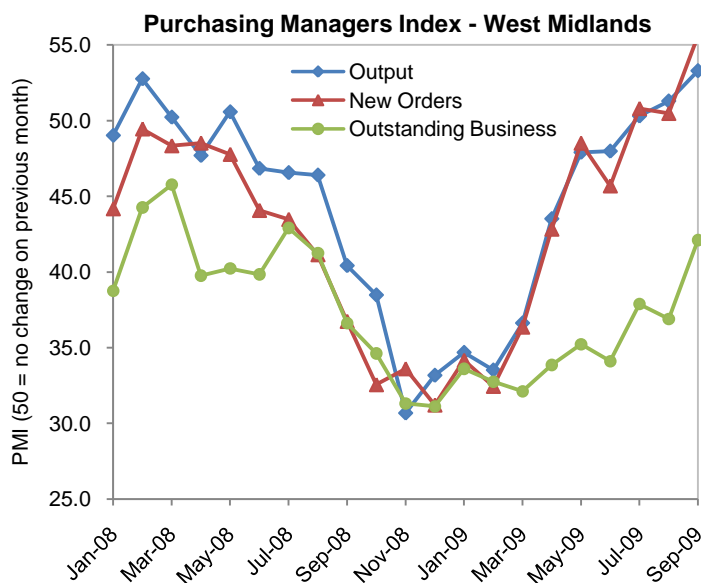
Latest figures from the Bank of England report that the balance of lending to businesses in the UK remained negative in August, with lending to small and medium-sized companies subdued. However these trends were improved on July's figures. Banks report that many businesses are choosing to repay debt, although some are choosing to retain rather than cancel the associated facilities. Lenders also confirm that the spreads and fees on new lending have risen.

West Midlands Overview – Output / Business Activity

Produced by Markit Economics, the Purchasing Managers Index (PMI) surveys businesses from the manufacturing and service sectors to track a series of variables¹. The Index gives the earliest indication of business conditions each month.

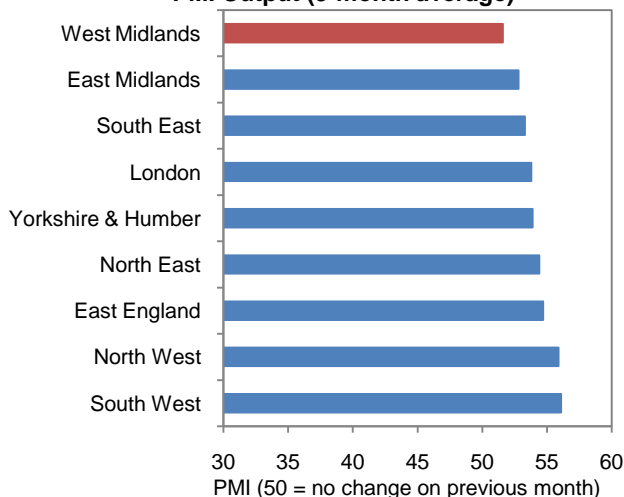
September's PMI reports that private sector businesses in the West Midlands saw output growth for the third consecutive month. Growth was stronger in the manufacturing sector than the region's service sector.

The overall rate of growth in September was the highest the region has seen since October 2007. But the pace of growth was still slightly less than the UK average. Over both the last quarter and the last year the West Midlands has seen the sharpest drop in business activity of the English regions.



Source: PMI West Midlands, Markit Economics, October 2009

PMI Output (3-month average)



Source: PMI West Midlands, Markit Economics, October 2009

The region's growth in business activity was driven by a marked improvement in new orders, with just under a third of the survey's respondents saying they had seen new orders rise. Within this overall growth manufacturers saw strong growth, whilst service sector businesses saw a continued fall in new orders. September, the third month of rising new orders, was the fastest growth the region has seen for two years and greater than the UK average.

Backlogs of outstanding work continued to shrink in September, but at the slowest rate for 14 months. The contraction matched that seen nationally, unlike the previous 12 months where the region has seen a sharper drop in backlogs than the UK. As such, spare capacity within businesses has reduced; this was reflected in the slowest level of job-shedding since July 2008.

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
April 2009	43.5	47.8	42.8	47.7	33.9	40.6
May 2009	47.9	50.9	48.5	51.0	35.2	41.1
June 2009	48.0	51.4	45.7	49.6	34.1	41.3
July 2009	50.3	53.6	50.8	53.1	37.9	42.7
August 2009	51.3	54.2	50.5	52.5	36.9	40.9
September 2009	53.3	54.3	55.6	53.5	42.1	42.1

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

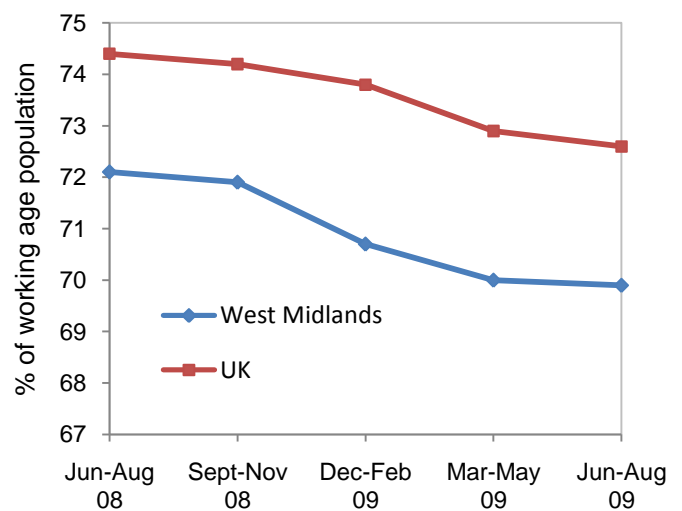
¹ The Index tracks output, new orders, employment and prices. An Index reading of 50.0 indicates no change on the previous month; readings above 50.0 signal an increase in activity and readings below 50.0 signal a decrease in activity on the previous month.

West Midlands Overview – Labour Market

There were 2.41 million people in employment in the West Midlands in the three months to August. This total is 6,000 more than the previous three months (in contrast to national figures that continued to fall) but 57,000 fewer than the same period in 2008. The region's employment rate now stands at 69.9%, markedly below the English average of 72.9%. The region's rate is unchanged on the previous quarter but 2.2 percentage points lower than a year earlier.

The three months to August also saw an increase in the number of economic active people in the region, up 11,000 to 2.69 million. This is 54,000 more than a year earlier. The region's working age economic activity rate is now 78.5%, up 0.2 percentage points over the quarter and up 1.2 points over the year.

Employment Rate (Seasonally Adjusted)

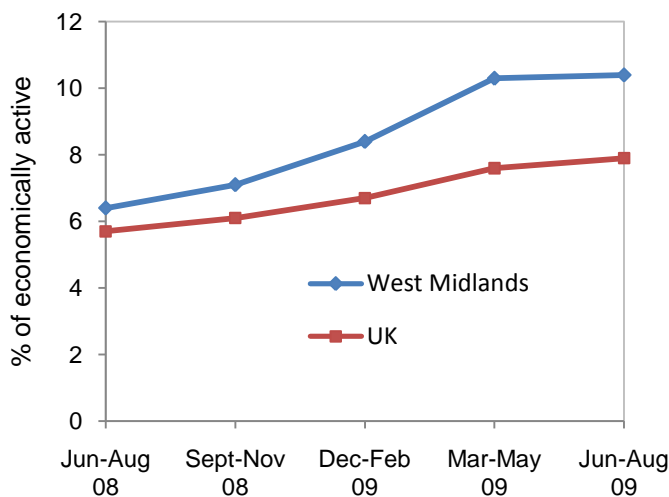


Source: ONS, Labour Market Statistics, October 2009

As a result the region's economic inactivity rate has fallen by the same proportions, with 8,000 fewer economic inactive people of working age over the last quarter. At 704,000 the total number of working age, economically inactive people in the region is now 39,000 less than a year ago.

The number of unemployed people in the West Midlands rose by 5,000 in the three months to August to total 281,000. This is now some 112,000 more than a year ago. For the three months to August the region's unemployment rate stood at 10.4%, up 0.2 percentage points over the quarter and up 4.0 point over the year.

Unemployment Rate (Seasonally Adjusted)



Source: ONS, Labour Market Statistics, October 2009

West Midlands Labour Market Statistics (seasonally adjusted)

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Jun – Aug 09	2,407	+6	-57	69.9	0.0	-2.2
Unemployment**	Jun – Aug 09	281	+5	+112	10.4	+0.2	+4.0
Economically active*	Jun – Aug 09	2,688	+11	+54	78.5	+0.2	+1.2
Economically inactive***	Jun – Aug 09	704	-8	-39	21.5	-0.2	-1.2
Claimant count ⁺	September 09	185.9	+3.5	+75.3	6.7	+0.1	+2.7

*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, October 2009

West Midlands Overview – Labour Market

The continued rise in unemployment was also reflected in a rise in the number of people claiming Jobseekers Allowance. 3,500 more people claimed in the region in September than in August 2009, the highest month-on-month rise seen since April. In September 2009, the regional claimant register stood at 185,900 people, 75,300 more people than in September 2008. The regional claimant rate is 6.7%, 2.7 percentage points higher than a year ago.

The latest PMI reports that whilst businesses in the West Midlands continued to shed jobs during September, they did so at the slowest rate since July 2008 and at a rate that was broadly in line with the UK average. Jobcentre Plus reports that the region saw 1,443 notified redundancies in September. Of these, the greatest proportions were in the Coventry and Warwickshire sub-region (679; 47%) and the Birmingham & Solihull sub-region (443; 31%). A further 10% (149) were seen in the Marches, and 6% seen in both Staffordshire (93) and the Black Country (79). 32% of the notified redundancies were in the region's agriculture and fishing sector, whilst a further 23% were from the public administration, education and health sectors.

29,895 notified vacancies were held by Jobcentre Plus during September 2009. This was 15% fewer than in August, a similar drop to that seen nationally. In terms of occupation types, the greatest proportion of notified vacancies in the region were in Elementary Administration and Service Occupations (13.0%); Transport and Mobile Machine Drivers and Operatives (12.6%); and Elementary Trades, Plant and Storage Related Occupations (12.3%).

The ratio of JSA claimants to the number of notified vacancies varies significantly across the region. There are for example over 11 claimants for each notified vacancy in the Staffordshire Moorlands district, the highest ratio in the region. In contrast in North Warwickshire there are just under two claimants for each notified vacancy. In Wyre Forest, Nuneaton & Bedworth, Sandwell and Birmingham districts there are over eight claimants for each vacancy.

Sub-Regional Picture

Non-seasonally adjusted figures show that the number of JSA claimants in the region rose by 878 between August and September to a total level of 182,389. This level was 71,639 higher than a year earlier. 5.6% of the region's working age population was claiming JSA, up 0.1 percentage points over the month and up 2.2 point over the year.

By far the largest increase in claimant levels between August and September was in Birmingham rising by 1,084. This was followed by Sandwell which saw an increase of 330. Of the lower-tier authority areas, the largest rise was in Bromsgrove district (+36). Bromsgrove and Oswestry were the only districts outside of the major urban conurbation to see increases over the month and these were relatively small. All other districts within the region saw a fall in their claimant levels between August and September. The largest fall was in Staffordshire (-380), followed by Worcestershire (-180). Amongst the lower-tier districts, the greatest decreases in claimant levels were in Shrewsbury & Atcham (-99) and Redditch (-93).

Over the last year Birmingham has seen the greatest rise in absolute claimant numbers, up 15,307. Staffordshire and Worcestershire have seen the next greatest increases, up 8,736 and 6,774 respectively. Of upper-tier authorities in the region, Herefordshire has seen the smallest rise in its claimant levels over the past 12 months, rising 1,255. Of the lower-tier districts, the largest increases over the year have been in Nuneaton & Bedworth (+1,711) and Cannock Chase (+1,436). In contrast the smallest increases in absolute numbers have been in South Shropshire (+258) and Oswestry (+386). In terms of relative growth over the year, Tamworth and Stratford-on-Avon have seen the highest percentage growth in claimants, rising 119% and 116% respectively. The smallest percentage rise has been in Birmingham (42%) due to the city's initially large number of claimants.

West Midlands Overview – Labour Market

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

	September 2009		Change on Month		Change on Year		
	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Percentage Rise in Claimant Level
Regional	182,389	5.6	878	0.1	71,639	2.2	65%
Herefordshire	3,003	2.9	-61	-0.1	1,255	1.2	72%
Stoke-on-Trent	8,842	5.9	-30	-0.1	3,589	2.4	68%
Telford and Wrekin	4,806	4.8	-66	0.0	2,198	2.2	84%
Shropshire	4,922	2.9	-135	-0.1	2,142	1.3	77%
Bridgnorth	812	2.6	-32	-0.1	371	1.2	84%
North Shropshire	1,058	3.0	-3	0.0	427	1.2	68%
Oswestry	850	3.6	13	0.1	368	1.6	76%
Shrewsbury and Atcham	1,642	2.9	-99	-0.1	718	1.3	78%
South Shropshire	560	2.4	-14	-0.1	258	1.1	85%
Staffordshire	18,668	3.7	-380	-0.1	8,736	1.7	88%
Cannock Chase	3,005	5.1	-59	-0.1	1,436	2.5	92%
East Staffordshire	2,447	3.7	-5	0.0	1,092	1.6	81%
Lichfield	1,941	3.3	-88	-0.2	948	1.6	95%
Newcastle-under-Lyme	2,935	3.8	-52	0.0	1,294	1.7	79%
South Staffordshire	2,239	3.5	-29	0.0	997	1.6	80%
Stafford	2,249	3.0	-30	0.0	956	1.3	74%
Staffordshire Moorlands	1,494	2.6	-49	-0.1	734	1.3	97%
Tamworth	2,358	4.9	-68	-0.1	1,279	2.7	119%
Warwickshire	12,111	3.8	-156	0.0	5,521	1.8	84%
North Warwickshire	1,525	4.0	-9	0.0	795	2.1	109%
Nuneaton and Bedworth	3,979	5.3	-34	-0.1	1,711	2.3	75%
Rugby	2,205	4.1	-51	0.0	982	1.9	80%
Stratford-on-Avon	1,710	2.5	-12	0.0	918	1.3	116%
Warwick	2,692	3.1	-50	-0.1	1,115	1.3	71%
Birmingham	51,611	8.2	1,084	0.2	15,307	2.4	42%
Coventry	11,430	5.9	130	0.1	4,419	2.3	63%
Dudley	11,132	6.1	62	0.1	4,921	2.7	79%
Sandwell	13,797	7.9	330	0.2	5,519	3.2	67%
Solihull	5,549	4.6	27	0.0	2,497	2.1	82%
Walsall	11,223	7.5	155	0.1	4,821	3.2	75%
Wolverhampton	11,768	8.2	98	0.1	3,940	2.7	50%
Worcestershire	13,527	4.0	-180	-0.1	6,774	2.0	100%
Bromsgrove	2,220	4.0	36	0.0	1,124	2.0	103%
Malvern Hills	1,111	2.7	-14	0.0	583	1.4	110%
Redditch	2,655	5.2	-93	-0.2	1,337	2.6	101%
Worcester	2,626	4.4	-88	-0.2	1,211	2.0	86%
Wychavon	2,291	3.3	-10	0.0	1,172	1.7	105%
Wyre Forest	2,624	4.4	-11	0.0	1,347	2.2	105%

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, October 2009

West Midlands Overview – Labour Market

Regional Employment Monitoring

Manufacturing

- **GKN Driveline** is to shed a further 50 jobs at its car components factory in Birmingham.
- **MG Motors** has ended production at Longbridge for the winter, which could result in the loss of about 20 jobs.
- **Ogihara Europe** is to shed 71 of the 100 jobs at its car parts factory in Telford.
- **Doncasters Precision Castings** is considering plans to shed up to 250 jobs at its machine blades factory in Droitwich Spa.
- **BAE Systems'** ammunition factory in Radway Green, near Alsager, is to cut 180 jobs as the plant undergoes extensive modernisation over the next two years.
- **JCB** have told around 1,600 workers to stay off work for an extra week during its autumn shutdown as the recession continues to hit sales.
- **Bulmers** in Herefordshire has announced that 65 jobs are to be lost.

Construction

- 49 jobs have been lost from the West Bromwich base of **Connaught** construction.

Retail

- **Millets and Blacks Leisure** have announced that they will close 6 stores in the West Midlands resulting in the loss of around 70 jobs, nationwide 89 loss-making stores are to be closed.

Services

- **National Grid** has announced that it will be shedding 300 jobs across the company, with the loss of 137 posts from their Warwick and Northampton offices.
- **Incasep** has gone into administration with the loss of 30 jobs at its Greyhound plant hire business near Oswestry.
- Work has begun on construction of a **Travelodge** and **Lidl** store in Newcastle-under-Lyme, creating up to 50 jobs.
- A new **Holiday Inn Express** hotel in Tamworth is to open in November, creating employment for 25 people.
- **Servisair** has said that up to 60 ground staff at Birmingham International Airport could lose their jobs.
- Following the loss of 143 jobs at **Virgin Media's** Brierley Hill offices earlier in the year, the remaining 109 workers will leave their roles at the end of October. The remaining operations will move to other sites in the UK.

Public sector

- **Wolverhampton City Council** has announced 170 jobs will be lost by March 2010 due to the need to cut costs.
- The **National Farmers Union** has cut 107 jobs from its headquarters in Stoneleigh, Warwickshire.
- **Forensic Science Service** has confirmed plans to close 3 laboratories, including one in Birmingham. It is thought that 700 jobs will be lost nationally.

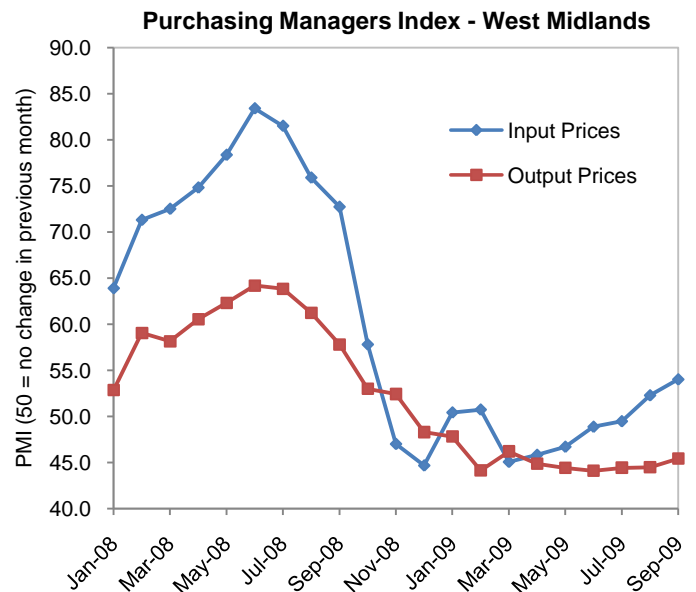
And some regional good news stories.....

- **Happich Profiles** has been bought out of administration by EMKA Beschlagteile of Germany for undisclosed terms, securing 37 jobs at its vehicle components factory in Castle Bromwich.
- **Grocontinental** is to invest £3m in a new 80,000 sq ft temperature-controlled facility for its Whitchurch-based haulage business, with the creation of about ten new jobs.
- **LDV** has sold the assets of its Birmingham-based van manufacturing business out of administration to Eco Concept and up to 200 jobs will be created at a new electric vehicles factory in the Midlands.
- **New Look** is set to expand its warehouse at Lymedale Business Park, potentially creating up to 450 jobs.
- **The Yorkshire Trading Company** has opened a store at the former Woolworths site in Leek, taking on 14 staff.
- **National Debtline and Business Debtline** (both part of the Money Advice Trust) have expanded in Birmingham to accommodate 47 new advisors after receiving additional funding from the Government.
- **TJ Hughes** are creating 100 jobs in Walsall on the site of the old Woolworths store.
- **Waitrose** is opening two new stores in Warwickshire, creating 60 new jobs.
- **Morrisons** is opening a new store in Willenhall in early 2010 which is set to create 200 jobs.

West Midlands Overview – Inflation & Investment

The latest PMI reports that in September businesses in the West Midlands saw a second consecutive month of rising input prices. The rise was the greatest they had seen since October 2008 and more than the national average. Businesses attributed the increase to fuel and raw material (especially steel) costs. Service sector businesses reported the sharpest increase in input costs, largely due to fuel and energy prices.

Despite rising input prices, September was the tenth consecutive month in which the region's businesses have reported falling output prices. The falls continue to be faster than the national average. Businesses reported that heavy discounting continues to drive down output prices, with strong competition for new orders and limited demand resulting in further price reductions between August and September.



Source: PMI West Midlands. Markit Economics, October 2009

West Midlands Overview – Housing, Property & Regeneration

Between September and October the West Midlands saw average house prices rise by 0.4%, about half the rise seen for England and Wales. This improvement is also reflected by RICS which reports that in September the region saw a positive net balance of surveyors reporting a rise in prices rather than a fall in prices. Overall prices in the region are now 7.3% lower than a year ago.

There was mixed performance within the region, with some areas seeing rising prices over the month and some falling prices. The greatest increase was in Solihull (+1.4%), whilst the largest decrease was in Stoke-on-Trent (-1.6%). Over the last year Coventry has seen the sharpest fall in average house prices (-12.7%). Herefordshire has seen the smallest change (-4.6%).

The RICS reports that in September the West Midlands saw strongest increase in newly agreed sales in the UK. However reflecting slow supply of properties being put onto the market they also note that during September the region saw a negative balance in new instructions.

Average House Price Changes (September 2009)

	Monthly Change (%)	Annual Change (%)	Average Price (£)
West Midlands	+0.4	-7.3	£131,075
Herefordshire	+0.8	-4.6	£177,694
Stoke-on-Trent	-1.6	-15.6	£76,347
Shropshire	-1.1	-10.5	£156,147
Staffordshire	0.0	-10.4	£132,430
Warwickshire	+0.1	-9.4	£155,702
Birmingham	+0.2	-12.2	£114,232
Coventry	-0.7	-12.7	£107,211
Dudley	+0.9	-9.8	£122,201
Sandwell	+0.6	-11.4	£99,036
Solihull	+1.4	-7.7	£187,491
Walsall	-0.5	-13.2	£107,698
Wolverhampton	+0.7	-7.1	£106,412
Worcestershire	+0.4	-11.8	£160,386

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, October 2009

Spotlight on Ethnic Minority Businesses in the West Midlands

Written by Chris Khamis, Minority Ethnic Enterprise Centre of Expertise²

Full report available from meecoe@dmu.ac.uk.

Effective policies to support the formation, survival and growth of Ethnic Minority Businesses (EMBs) are recognised as being central to regional economic development and tackling of deprivation and social exclusion. Yet developing an evidence base for policy and practice in this field has been hampered by a lack of data. Most regional and national data on businesses did not identify the ethnicity of the owner of a business and EMB studies relied mainly on local surveys. Matters have improved greatly with the 2001 Census and updates through the Annual Population Surveys. MEECOE has used these sources and a review of EMB research to produce a profile of EMBs in the West Midlands. The profile draws out changing patterns of EMBs and different trends exhibited by different minority ethnic groups. MEECOE's analysis of this evidence also forms the base for an assessment of the economic and social role of EMBs in the West Midlands and for making policy and practice recommendations.

The traditional picture of EMBs is changing: Entrepreneurial transition

As the region's minority ethnic population has grown, so too has the significance of EMBs in the region's economy. In the past, this significance has been amplified by the greater tendency for people of South Asian heritages to be self-employed. At the same time, the traditional picture of EMBs has been one of corner shops and restaurants, and perhaps of clothing manufacturers, reliant on family labour because of the low value and labour intensive nature of the sectors engaged in, and mainly reliant on customers from minority ethnic communities.

The MEECOE profile shows that for many minority communities, this traditional picture has been changing since the turn of the century. Many groups are experiencing an *entrepreneurial transition*, moving out of traditional sectors into less labour intensive, higher value sectors such as financial services, real estate, IT and consultancy. This is accompanied by a decline in the self-employed proportion of certain minority groups as transition involves moving out of low paid *self-employment*, often the only career option available, into better paid *employment* in skilled occupations.

These trends are associated more with British born, second and third generation people of minority ethnic origin. However, many barriers to this transition persist, in particular under-capitalisation, and the process still has some way to go as minority ethnic groups are still under-represented in these new sectors.

The picture is different for different minority ethnic groups

In addition, levels of self-employment differ markedly between different minority ethnic groups as does the evidence of entrepreneurial transition as shown in the table and commentary below.

Self-employed as % of economically active by ethnic group, West Midlands

	2001	2005-07
All people	11.2	11.6
White British	11.1	11.7
Indian	13.2	11.1
Chinese	23.5	23.3
Pakistani	15.8	20.8
Of which UK born		9.0
Bangladeshi	11.6	19.5
Of which UK born		7.7
Black Caribbean	4.9	6.3
Black African	5.9	3.2

² Funded by Advantage West Midlands, the Minority Ethnic Enterprise Centre of Expertise is a two-year project (Dec 2008 – Dec 2010) that will promote a strategic and innovative approach to supporting ethnic minority businesses in the West Midlands. A consortium led by De Montfort University's Centre for Research in Ethnic Minority Entrepreneurship (CREME) works with public and private sector stakeholders to enhance policy and practice for ethnic minority enterprise in the region. MEECOE works closely with AWM's other Centres for Expertise² to develop an integrated approach to diversity and enterprise activity.

Spotlight on Ethnic Minority Businesses in the West Midlands

The impact of entrepreneurial transition is clearest in the Indian community where self-employment has fallen from 13.2% in 2001 to 11.1% in 2005-2007, below the regional average of 11.6%. The minority ethnic group with the highest self-employment rate is the Chinese but nationally this is falling. However, the fall in the West Midlands has been marginal, from 23.5% in 2001 to 23.3% in 2005-2007. There has, however, been a larger fall in the proportion of self-employed in the restaurant trade, from 70.4% in 2001 to 65.5% in 2005-07, but this still remains very high.

Those of Pakistani and of Bangladeshi heritage still have high and growing levels of self-employment, the former associated in particular with the taxi trade and the latter with restaurants. Nevertheless, there are signs of entrepreneurial transition amongst UK-born members of these communities who display much lower levels of self-employment. Self-employment amongst people of Black Caribbean origin has been slowly increasing, from 4.9% in 2001 to 6.3% in 2005-07 although it remains below the regional average. However, the self-employed here have a greater involvement in non-traditional sectors than any other ethnic group, including the White British.

A number of small but rapidly growing ethnic groups still display low levels of self-employment. These include groups growing rapidly by immigration, such as Black Africans, and the still youthful populations of ethnically mixed ancestry, mostly born in Britain.

Implications for enterprise policy and practice

What does all this mean for enterprise policy and practice? First, an appreciation is needed of the diversity of EMBs. The MEECOE Profile highlights at least three forms of diversity: between ethnic groups; between first and second-generation business owners; and between EMBs in different sectors. The arrival of new migrant communities adds to this complexity. Furthermore, other aspects of diversity should be considered, not just ethnicity, as a variety of factors shape the fortunes of EMBs. Indeed, mainstream business support could be redefined around this principle of diversity.

These considerations are reinforced by current and soon to be enacted equalities legislation. All agencies providing business support need to ensure that EMBs from all ethnic communities are aware of and able to access the available support. From the above flows the need for business support agencies to develop coherent, consistent and comprehensive data on regional EMBs.

As EMBs become increasingly diverse, they face a variety of challenges and require a wide range of business support solutions. In the light of this heterogeneity, it is no longer tenable to deliver support to EMBs solely through segregated 'community-based' agencies. The entire business support offer of key agencies needs to be 'diversity-proofed' in order to ensure that a full range of interventions is accessible to ethnic minority entrepreneurs.

Economic development and regeneration: understanding the economic and social role of EMBs

While there may be a higher rate of self-employment amongst many minority ethnic groups, does the small size of many EMBs suggest that their contribution to the regional economy and economic growth is less significant? First, MEECOE would emphasise that there are a minority of high growth EMBs which contribute strongly to regional economic growth. These include a number of Indian and Chinese businesses developing trade and investment with their ancestral countries, giving the West Midlands region access to two huge and rapidly expanding markets. Furthermore, the multi-cultural environment EMBs create can provide a "diversity advantage" for the region, attracting shoppers, tourists and even inward investment.

As for the majority of EMBs, which tend to be geared more towards survival and independence at a reasonable level rather than high growth with its associated risks, many do make a valuable contribution to employment and service provision in socially and economically deprived locations shunned by larger, more 'rational' companies. They can act as a role model for aspiring minority ethnic entrepreneurs and provide informal training to co-ethnic, often socially excluded workers. Moreover, research in the region has also shown that their contribution to job creation is far greater than might be expected, with enhanced social value in a local context of persistent high unemployment.

Spotlight on Ethnic Minority Businesses in the West Midlands

Agencies concerned with economic development and regeneration are therefore more likely to achieve their objectives with greater clarity and emphasis on support to EMBs in their policy and practice. At the high growth end, many ethnic minority entrepreneurs could benefit from 'business solutions' that are designed to support growth businesses, such as access to finance initiatives, training and workforce development and 'transformational' business support. Business support agencies should ensure that such measures are actively promoted amongst ethnic minority communities; ethnic minority participation in such schemes should also be monitored.

An acknowledgement of the wider social role of EMBs in general combined with a recognition that deprivation is a drag on growth and represents a missed productivity opportunity underline the need for EMBs and minority ethnic start-ups to be a focus of economic development and regeneration policy and practice.

Supplier diversity is a policy area that merits careful attention although not all EMBs are in a position to supply either other businesses or government. Nevertheless, Regional Development Agencies and other public sector bodies are in a good position to take a lead in encouraging the use of good practice procurement policies in regeneration projects, encouraging their main contractors and suppliers to extend sub-contracting opportunities to EMBs. By sending strong signals down the supply chain, large corporations can also influence their suppliers in their choice of 'second-tier' sub-contractors.