

West Midlands monthly economic update report

July 2009

National Headlines:

- The UK economy has now contracted for five consecutive quarters, with preliminary estimates that the economy shrunk by 0.8% in Quarter 2 2009.
- The IMF now forecasts that the UK economy will contract by 4.2% in 2009 and return to subdued growth of 0.2% in 2010.
- Manufacturing output fell by 1.2% in the three months to May, but the Manufacturing Purchasing Managers Index (PMI) reports that output grew in June for the first time in 15 months, albeit driven by outstanding orders.
- There are indications that the car scrappage scheme is now starting to feed through to car registration figures.
- The Services PMI reported a second consecutive month of output growth in June, whilst the Construction PMI reported contracting output for the 16th month running.
- The three months to May 2009 saw the largest quarterly fall in the UK's employment rate, dropping 0.9 percentage points to 72.9%.
- The UK's unemployment rate rose by 0.9 percentage points over the last quarter to 7.6%. This is the largest quarterly rise since 1981 and brings the national rate to 2.4 points higher than the same point last year.
- The number of people claiming Jobseekers Allowance rose by 23,800 between May and June 2009 to a new total of 1.56 million. This was the smallest monthly increase in claimants since May 2008.
- The number of notified vacancies in the three months to June 2009 was the lowest since records began in 2001.
- Annual inflation in the year to June 2009 was 1.8% (according to the Consumer Price Index), the first time since September 2007 that it has fallen below the Government's target of 2%.

Regional Headlines:

- The West Midlands PMI reported falling output for the 13th consecutive month, albeit at a weaker pace than previous months. The region is one of just three English regions that did not report growth in output in June.
- The West Midlands employment rate fell by 0.8 percentage points in the three months to May to 70.0%. This is the lowest of the English regions and 2.7 percentage points lower than the same point in 2008.
- The region's unemployment rate rose by more than double the increase seen nationally in the three months to May. At 10.3% it is the highest of the UK regions and 1.1 percentage points above the second highest region.
- The number Jobseekers Allowance (JSA) claimants in the region rose by 2,600 between May and June 2009.
- The PMI continues to report that the West Midlands has seen the sharpest job shedding by businesses of the UK regions over the last quarter, with a growing gap between the region and the UK average.
- The West Midlands saw a sharper fall in notified vacancies between May and June than was seen nationally.
- Within the region, Worcestershire and Wolverhampton saw the greatest rise in JSA claimants between May and June. Whilst Staffordshire and Warwickshire saw significant falls in claimant levels, much of this is likely to be attributable to seasonal working patterns
- Figures from the PMI suggest that the region's businesses are facing particular pressures on their profit margins as their input prices fall slower and output prices drop faster than the UK averages.

UK Overview – Output / Business Activity

Updated national GDP figures have shown that the recession technically started a quarter earlier than had previously been thought, following the revision of Quarter 2 2008 figures to -0.1% (down from 0.0%). The UK economy has now contracted for five consecutive quarters. On a year-on-year basis the UK's GDP had fallen by 4.9% in Quarter 1 2009, the fastest rate of GDP decline since quarterly records began in 1955. Preliminary estimates for Q2 2009 report that GDP fell by 0.8% compared to Q1, more than the -0.3% analysts had expected. These estimates shows that the greatest fall was in construction sector output (-2.2%), with manufacturing output down 0.3% and services sector output down 0.6%.

The IMF updated its World Economic Outlook projections in early July, forecasting that the global economy will contract by 1.4% in 2009, down 0.1% on their previous forecasts. However they have improved their forecast for 2010, predicting the world economy will grow by 2.5%. Their outlook for the UK has been revised down for 2009 (-4.2%, down from their projection of -4.1% in April) and up for 2010 (+0.2%, up from -0.4% in April). In particular, the IMF highlight that the UK's recovery will be slowed by high levels of household debt and the need for banks to tighten the supply of credit as they deleverage their balance sheets.

The range of independent forecasts for the UK economy in 2009 fell again in July, with the average independent forecast now predicting a contraction of 4% (down from -3.7% in June's forecasts). Forecasts for 2010 improved slightly, expecting a return to growth of 0.7% (up from +0.6% last month).

Manufacturing – manufacturing output fell by 1.2% in the three months to May 2009, compared to the previous three months. The greatest falls over the quarter were seen in basic metals & metal products (-4.6%), machinery & equipment (-5.0%) and transport equipment (-3.2%). In contrast, rises were seen in chemical & man-made fibres (+2.2%), paper, printing & publishing (+1.4%) and food, drink & tobacco (+1.1%). In terms of month-on-month changes, output fell by 0.5% between April and May, with the greatest falls seen in the paper, printing and publishing industries (-2.0%) and machinery and equipment industries (-1.7%). The manufacturing Purchasing Managers Index (PMI) reports that in June production grew for the first time in 15 months across a broad set of sub-sectors. This increase was largely focused on reducing work backlogs as new orders continued to fall, albeit at a slower pace.

Automotive manufacturing – according to the Society of Motor Manufacturers and Traders (SMMT) UK car production was down 30.2% in June 2009 compared to the previous year, with the production of commercial vehicles down 60.4%. The SMMT reports that the pace of decline in output has slowed and plants are expected to gradually restore volumes. The car scrappage scheme is starting to feed through into registration figures. Figures for June 2009 were 15.7% lower than June 2008, the smallest decline seen since July 2008, albeit year-to-date registrations are still down 25.9%. However, registrations for private buyers were 3.9% higher in June than the previous year, with much greater falls seen in the registration of fleet cars (-28.0%) and business cars (-34.5%).

Services – service sector output in the three months to April 2009 was 1.2% less than the previous three months, with the greatest falls in transport and communications (-2.8%). The services PMI reported a second month of output growth in June. However there was a slight contraction in new orders, particularly in those industries driven by consumer spending. Respondents commented that sales pipelines were unlikely to offer the potential for significant growth.

Construction – the construction PMI reports that output contracted for the 16th consecutive month in June. Both the housing and commercial construction sub-sectors saw a worsening in the pace of declining activity between May and June. Whilst new orders continue to fall, May and June saw the smallest falls since April 2008, with falling activity and new starts resulting in greater competition between suppliers to the sector.

Retail – the British Retail Consortium (BRC) reports that like-for-like sales in June 2009 were 1.4% higher than in June 2008. The three months to June saw overall like-for-like sales up 1.7% on last year, with food sales rising 5.4% whilst non-food sales fell by 0.7%. Whilst the month saw an improvement in clothing and footwear sales, this was not reflected in 'big ticket' sales such as furniture and homeware. Non-food, non-store sales rebounded in June, up 16.8% on the previous year, their second highest growth rate during 2009.

UK Overview – Labour Market

The UK's working age employment rate fell by 0.9 percentage points in the three months to May 2009 to 72.9%. This is the largest quarterly fall since records began in 1971. The national rate is a full two percentage points lower than a year earlier. The total number of employed people in the UK now stands at 29 million, 269,000 fewer than the previous quarter and 543,000 less than a year ago.

The UK's unemployment rate rose to 7.6% in the three months to May 2009. This is 0.9 percentage points higher than the previous quarter (the largest quarterly rise since 1981) and 2.4 percentage points higher than a year earlier. In total 2.38 million people are now unemployed in the UK, 281,000 more than in the previous quarter and 753,000 more than the same period in 2008. Rising unemployment particularly affected young people over the quarter, with the unemployment rate for 18-24 year olds rising 2.2 percentage points to 17.3%.

The number of people claiming Jobseekers Allowance rose by 23,800 between May and June 2009 to total 1.56 million, the highest since June 1997. This was the smallest monthly increase since May 2008, but the total remains 716,800 more than in June 2008. The national claimant count rate now stands at 4.8%, up 0.1 percentage points over the month and 2.2 over the year.

In the three months to May 2009 the number of economically active people in the UK rose by 12,000 over the quarter and by 209,000 over the year to total 31.38 million. The national working age economic activity rate fell by 0.1 percentage points to 79.1%. This is unchanged on the rate for the same period in 2008. Correspondingly the UK saw its working age economic inactivity rate rise by 0.1 percentage points to 20.9%. 64,000 more people became economically inactive in the three months to May 2009, bringing the total to 7.92 million. This total is 46,000 higher a year ago.

In the three months to May some 301,000 people reported that they had been made redundant in the previous three months. This was 31,000 higher than the previous quarter and 182,000 more than the same period in 2008. The three months to June 2009 saw the number of notified job vacancies fall to 429,000, the lowest since records began in 2001. This figure is 35,000 less than the previous three months and 222,000 less than a year ago with all sectors seeing falls.

UK Labour Market Statistics

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Mar - May 09	28,998	-269	-543	72.9	-0.9	-2.0
Unemployment**	Mar - May 09	2,381	+281	+753	7.6	+0.9	+2.4
Economically active*	Mar - May 09	31,379	+12	+209	79.1	-0.1	+0.0
Economically inactive***	Mar - May 09	7,915	+64	+46	20.9	+0.1	0.0
Claimant count†	June 09	1,560.1	+23.8	716.8	4.8	+0.1	+2.2

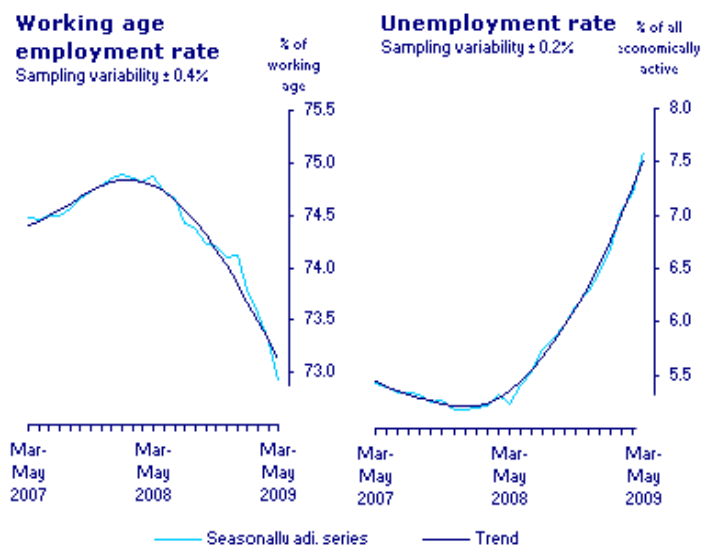
*Levels are for those aged 16 and over; rates for those of working age (16 – 59/64)

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

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

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

Source: ONS, Labour Market Statistics, July 2009



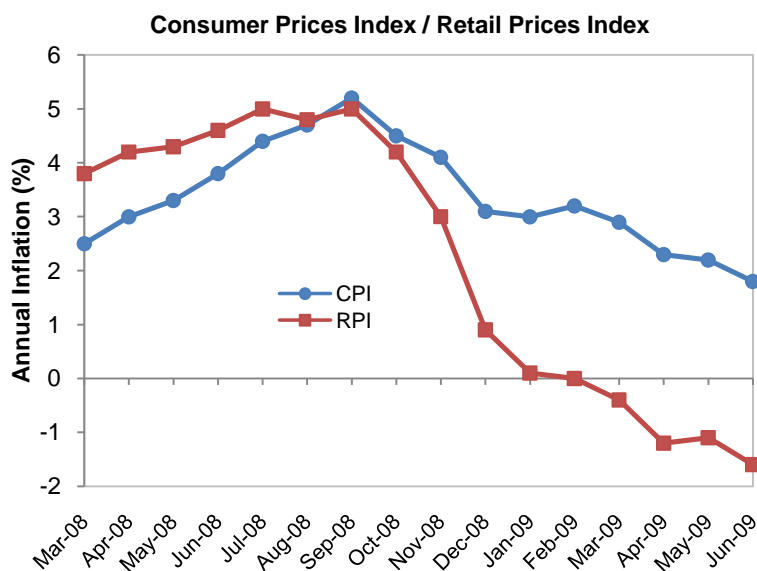
Source: ONS, Labour Market Statistics, July 2009

UK Overview – Inflation

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

In the year to June 2009 the CPI reports that annual inflation was 1.8%, down from the 2.2% reported for the year to May 2009. This is the fifth monthly fall in inflation and the first time since September 2007 that inflation has fallen below the Government's target.

The largest downward pressures for the CPI came from food & non-alcoholic beverages and furniture, household equipment & maintenance. The largest upward pressures came from recreation and culture (driven by computer games) and audio-visual equipment.



Source: Office of National Statistics, July 2009

The Retail Price Index (RPI) measure of inflation, which incorporates housing and mortgage costs, also fell in June, dropping from -1.1% in the year to May 2009 to -1.6% in the year to June. This is its lowest level since monthly records began in 1948. In addition to food and household goods, the RPI saw downward pressures from household services (where fees and subscriptions fell) and motoring expenditure. The RPI saw upward pressures from leisure goods and personal goods and services.

The Producer Prices Indices (PPI) monitor the price changes of good 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
January 2009	1.7	1.1	3.5	0.1
February 2009	0.8	0.8	3.0	0.0
March 2009	-0.4	1.2	2.0	0.1
April 2009	-5.7	-1.7	1.3	0.7
May 2009	-8.6	1.1	-0.3	0.4
June 2009	-11.0	1.5	-1.2	-0.2

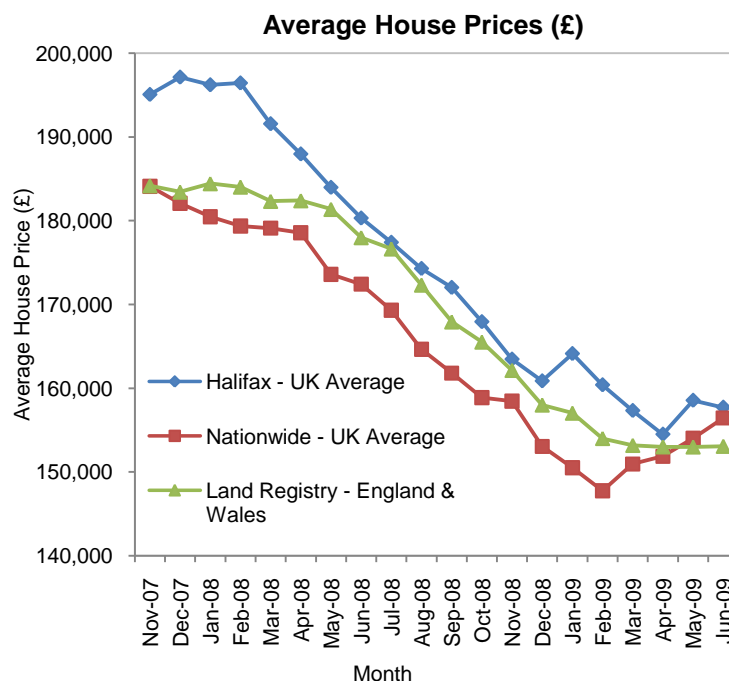
Source: National Statistics, Producer Prices Index, July 2009

Manufacturers report that they saw the cost of materials and fuels fall by 11% in the year to June 2009. However prices rose by 1.5% between May and June 2009, largely reflecting a rise in crude oil prices (which rose by 14.3% over the month). When excluding volatile sectors (food, beverages, tobacco and petroleum industries) input prices fell by 2.6% over the year and by 0.3% over the month. In terms of output prices, manufacturers reported that prices fell by 1.2% in the year to June 2009, greater than the annual fall reported in May (-0.3%). Prices also fell over the month (down 0.2% between May and June), as a result of falls in prices for chemicals and other manufactured products, which were partially offset by rises in prices for petrol products. When excluding the cost of excise duties, output prices fell by 2.0% in the year to June and by 0.3% between May and June. Excluding volatile sectors, output prices rose by 0.1% over the year and fell by 0.8% over the month.

UK Overview – Housing, Property & Regeneration

The Land Registry reports that average house prices rose by 0.1% between May and June 2009 and fell by 14.0% over the year. The Halifax and the Nationwide report that over the year to June 2009 average house prices fell by 15.0% and 9.3% respectively. Between May and June the Halifax reports that prices fell 0.5% whilst the Nationwide reports that prices rose by 0.9%.

The Halifax reports that drops in prices have eased considerably, with the fall over the three months to June (-1.9%) the smallest since Q1 2008 and much less than the 5-6% quarter falls seen in 2008. They highlight that whilst sales activity remains low relative to past trends, there are signs of marginal improvements. They note that the combination of increased demand and lower numbers of properties for sale (the lowest since 1979) has helped to stabilize activity. Nevertheless they emphasize that continued consumer uncertainty, particularly given rising unemployment, is likely to result in further rises and falls in prices through 2009.



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

Housing affordability continues to improve. The Halifax reports that in June 2009 average monthly mortgage repayments accounted for 21.6% of the average gross household income, the lowest proportion since mid-2004. Nevertheless this remains above the long-term average for the proportion of income devoted to mortgage repayments which is 20.4%. Similarly they report that over the last year the cost of owning and running a home in the UK has fallen by 17%, the lowest since 2006. This fall has been largely as a result of falling mortgage interest payments.

The Council of Mortgage Lenders reports that the number of mortgages approved for house purchases rose between April and May to reach 37,400. This is an increase of 4% over the month but remains 28% lower than the same point last year. The Bank of England has also reported an increase in the availability of credit conditions with the expectations from both lenders and borrowers that credit availability and demand will continue to improve.

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
Dec 08	94	518	967	643	168	740	3,128
Jan 09	100	353	703	411	53	629	2,251
Feb 09	147	306	414	557	124	588	2,136
Mar 09 ^f	160	399	626	485	102	459	2,231
Apr 09 ^p	175	480	514	737	124	662	2,692
May 09 ^p	132	423	669	614	69	578	2,487

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

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

The total value of new construction orders in the three months to May 2009 was 1% lower than the previous three months and 30% lower than the same period in 2008. Private housing orders in the three months to May were 11% higher than the previous quarter but down 37% on last year. Public and housing association orders were up 37% over the quarter but 15% lower than the same point last year. Private commercial and industrial orders have also seen sharp falls, down 13% and 14% over the quarter and 57% and 43% over the year. In contrast infrastructure orders were 13% lower than the previous quarter but remain 50% higher than the same period last year.

UK Overview – Confidence & Investment

Consumers

The Nationwide Consumer Confidence Index rose again in June, up four points on May's position. This rise continues to be largely driven by improvements in respondents' expectations for the next six months rather than confidence in present conditions. 76% of respondents felt that the current economic situation is bad, a proportion that has been falling slowly since February. However respondents were particularly wary of present employment conditions, with 68% believing there are not currently many jobs available.

Looking to the future a third of respondents think that the economic situation will be better in six months' time, whilst 23% believe it will be worse. However the largest proportion of respondents (42%) believe that the economic situation will be unchanged in six months' time. This is the first time since the Index began in 2004 that more people think the economy will be better in six months than think it will be worse. Over half of respondents believe that there will be fewer jobs available in six months' time. However respondents' expectations for house price falls over the next six months improved in June, with them now expecting prices to fall by 0.6% over this period, down from the 1.6% reported in May.

In terms of spending, an increasing proportion of consumers believe that now is a good time to buy large items such as a house or car. 40% of respondents now believe this to be the case, compared to 18% at the same point last year. The proportion of people thinking now is a good time to buy a major household purchase, such as white or brown goods, also rose by 1% over the month, whilst the proportion who thought that it was a bad time to make such purchases fell from 17% in May to 13% in June.

Business

The Bank of England reports that net lending to businesses by UK banks remained negative in May (falling £3.4 billion), with many businesses repaying debts. The Bank recognizes that the cost of borrowing has risen in recent months, with banks attributing this to higher longer-term funding costs and credit risks. However they report that the availability of corporate credit has improved over the last quarter and highlight that the stabilization of economic conditions is likely to result in improved credit availability over the next three months. Banks themselves reported that they had seen little increase in the demand for credit. However the Bank of England's Credit Conditions Survey reports that a net balance of lenders expect to see a rise in demand from medium-sized businesses in the next three months.

The British Bankers Association reports that high street banks established new banking relationships with some 45,000 businesses in May. Whilst this is down on March and April's figures it is higher than the average seen through 2008. In addition they report that lending to small businesses rose by £153 million between April and May, a much smaller rise than seen in the previous two months (+£267m and +£277m) . Reflecting businesses steps to strengthen their balance sheets, deposits from small businesses increased by £250 million whilst there was little change in money drawn from overdraft facilities. The monthly Snapshot Poll undertaken by the Federation of Small Business (FSB) notes that the proportion of businesses citing the costs of finance as a problem has fallen considerably, down from 40% at the end of 2008, to 25% in June.

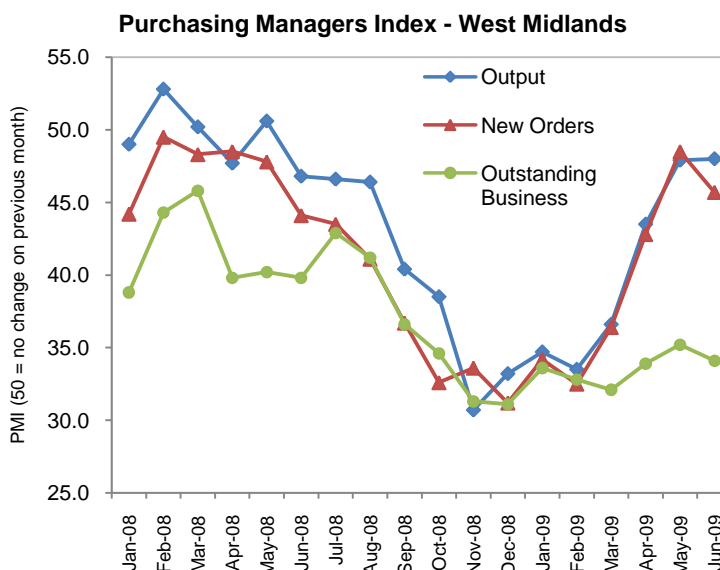
Latest business investment figures continue to show that businesses are holding back on major capital investments. Business investment in Q1 2009 is estimated to have been 7.6% less than the final quarter of 2008 and 9.7% less than Q1 2008. Within the private sector, business investment by the service sector was down 9.1% on the preceding quarter and 11.6% lower than the same period in 2008. Business investment in the construction sector was 5.1% lower than Q4 2008 but 9.4% higher than Q1 2008. Analysts attribute these sharp declines in business investment to uncertainty over the prospects for both domestic and export demand; continued excess spare capacity; and financing constraints. It is likely that falling profitability is also playing a role, with latest figures showing that the net rate of return of private non-financial corporations fell for the fourth quarter running in Q1 2009, to 12.3%. Falls in profitability were seen across all sectors, with the greatest being in the manufacturing sector.

West Midlands Overview – Output / Business Activity

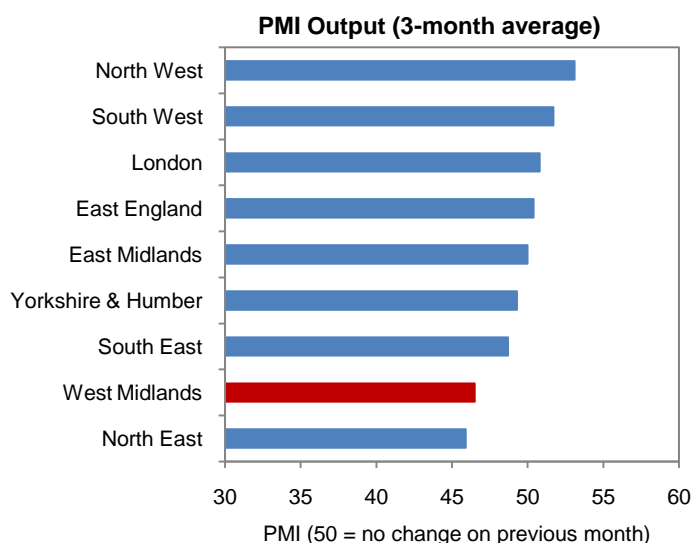
Produced by Markit Economics, the Purchasing Managers Index (PMI) surveys businesses from the manufacturing and service sectors to track a series of variables¹. The Index gives the earliest indication of business conditions each month.

The PMI for June 2009 saw businesses in the West Midlands reporting falls in output for the 13th consecutive month, the longest in the survey's history. However the contraction over the month was the smallest of this period and marginally improved on that seen in May.

In line with the region's contractions in output and new orders, businesses in the West Midlands saw a sharper reduction in their levels of outstanding businesses in June compared to other regions.



Source: PMI West Midlands, Markit Economics, July 2009



Source: PMI West Midlands, Markit Economics, July 2009

The UK as a whole recorded growth for the second month running in June. Whilst the West Midlands continued to see contractions in activity, six other English regions saw output increasing in June, although still at relatively low levels compared to pre-recession. The greatest growth in output over the month was seen in the North West and Eastern England.

Reductions in output have been heavily driven by further declines in new orders. June's contraction in new orders was steeper than that seen in May, although much slower than the declines seen in early 2009. Whilst both the manufacturing and service sectors have experienced falling orders it has been more marked in the former.

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 2009	34.7	40.9	34.2	39.3	33.6	36.7
February 2009	33.5	40.3	32.5	40.0	32.8	36.3
March 2009	36.6	44.6	36.4	43.1	32.1	38.1
April 2009	43.5	47.6	42.8	47.6	33.9	40.6
May 2009	47.9	50.9	48.5	51.1	35.2	41.1
June 2009	48.0	51.7	45.7	49.5	34.1	41.3

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

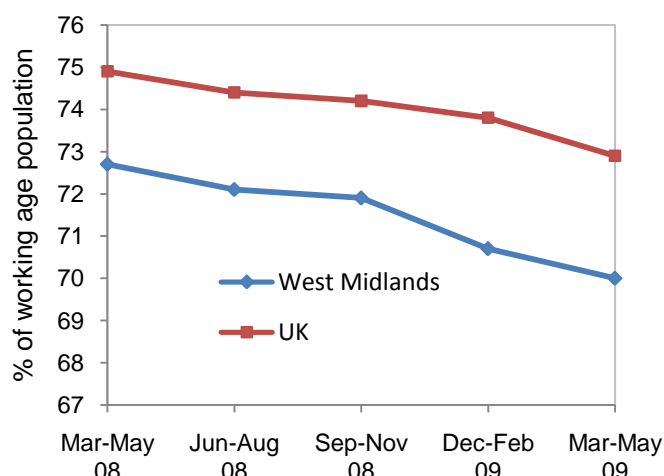
¹ The Index tracks output, new orders, employment and prices. An Index reading of 50.0 indicates no change on the previous month; readings above 50.0 signal an increase in activity and readings below 50.0 signal a decrease in activity on the previous month.

West Midlands Overview - Labour Market

The West Midlands' employment rate fell by 0.8 percentage points in the three months to May 2009 to 70.0%. This is 2.7 percentage points lower than the same period in 2008 and is the lowest employment rate of the English regions. Over the quarter the number of employed people in the region decreased by 25,000 to 2.40 million, 88,000 less than a year earlier.

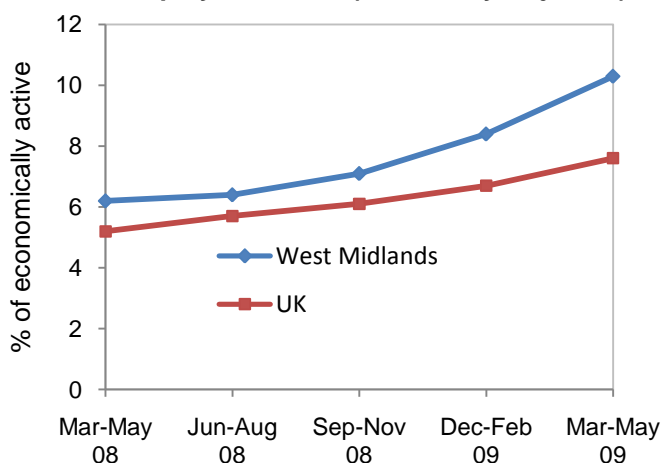
The number of people in the West Midlands who are economically active rose by 27,000 over the three months to May 2009, to total 2.68 million. There are now 22,000 more economically active people in the region than a year ago. The economic activity rate of working age people in the region is now 78.2%, up 0.7 percentage points over the quarter and 0.5 percentage points over the year.

Employment Rate (Seasonally Adjusted)



Source: ONS, Labour Market Statistics, July 2009

Unemployment Rate (Seasonally Adjusted)



Source: ONS, Labour Market Statistics, July 2009

The region's unemployment rose to 10.3% in the three months to May 2009. This is the highest of the UK regions and more than 1% above than the next highest region. The region's unemployment rate rose 1.9 percentage points over the quarter, over twice the average increase seen nationally. The rate is now 4.1 percentage points higher than a year ago.

In the three months to May the number of economically inactive people of working age fell by 23,000 to 712,000. This is 14,000 less than a year earlier. The region's economic inactivity rate now stands at 21.8%, down 0.7 percentage points compared to the previous quarter and down 0.5 percentage points over the year.

The number of people in the West Midlands claiming Jobseekers Allowance (JSA) now totals 177,200. This figure rose by 2,600 between May and June 2008 and is 77,900 higher than in May 2008. The region's claimant count rate rose by 0.1 percentage points over the month to 6.4%. This is 2.8 percentage points higher than a year ago.

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*	Mar - May 09	2,402	-25	-88	70.0	-0.8	-2.7
Unemployment**	Mar - May 09	276	+52	+111	10.3	+1.9	+4.1
Economically active*	Mar - May 09	2,677	+27	+22	78.2	+0.7	+0.5
Economically inactive***	Mar - May 09	712	-23	-14	21.8	-0.7	-0.5
Claimant count ⁺	June 09	177.2	+2.6	+77.9	6.4	+0.1	+2.8

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

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

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

+ Claimant count levels are the number of JSA claimants; the rate is the proportion of the area's working age population

Source: ONS, Labour Market Statistics, July 2009

West Midlands Overview - Labour Market

The PMI for June 2009 shows that businesses are still cutting back heavily on staff to adjust to their reduced levels of business activity through redundancies and restructuring activities. The West Midlands continued to see the sharpest job-shedding of the UK regions over both the last month and the last quarter with a widening gap between the region's performance and the UK average. Job cuts were slightly sharper in June than in May and have been significant in both the manufacturing and service sectors. The PMI's reporting that businesses' outstanding work continues to decline despite their shedding of staff emphasizes that businesses in the region continue to have excess staff capacity.

There are estimated to have been 3,391 redundancies made in June 2009 in the region. 46% (1,559) of these were in the Birmingham & Solihull sub-region. 677 redundancies were reported for Staffordshire, 515 in the Black Country, 430 in Coventry & Warwickshire and 210 in the Marches (Herefordshire, Shropshire & Worcestershire). 924 of the redundancies reported in the region were in the transport & communications sectors with a further 810 in the automotive manufacturing sector.

Jobcentre Plus held details of 25,133 notified vacancies in June 2009, down from 29,107 in May 2009. Whilst the national number of notified vacancies also fell over the month, the region's 14% drop was steeper than the average 8% fall seen across England. The number of vacancies in the region in June 2009 was 38% lower than in June 2008, this is very similar to the 39% fall seen nationally. The greatest proportions of notified vacancies in June 2009 were in sales occupations where there were 3,670 vacancies (14.6%), followed by elementary administration and service occupations of which there were 3,098 (12.3%) and caring personal service occupations of which there were 2,818 vacancies (11.2%).

The number of notified vacancies rose in a number of the region's local authority districts, with for example North Shropshire seeing a 110% rise over the month (albeit from a relatively low base) and Sandwell seeing an increase of 33%. The sharpest falls over the month were seen in Solihull and South Staffordshire, which both saw a reduction of 45%.

Sub-Regional Picture

Non-seasonally adjusted claimant figures show that the number of JSA claimants in the region fell by 842 between May and June 2009, albeit the total number is still 77,701 higher than in June 2008. Whilst the number of people coming on to the claimant register fell over the month, the number coming off the register also fell. A large number of local authority districts in the region saw a fall in claimants (likely to be largely due to seasonal working patterns), a number continued to see significant increases.

Amongst the region's upper-tier authorities, Worcestershire and Wolverhampton saw the most significant increases rising by 176 and 155 respectively. Of the region's lower-tier districts the greatest increases were amongst Worcestershire's districts, with Malvern Hills seeing a rise of 57, Wyre Forest a rise of 53 and Worcester a rise of 51. The greatest decrease in claimant levels was seen in Staffordshire (-328) followed by Warwickshire (-255). Of the lower-tier districts the largest fall in claimant numbers was in East Staffordshire (-159) and Warwick (-73). For East Staffordshire this resulted in a marked reduction in the district's claimant count proportion over the month, dropping 0.3 percentage points between May and June to 3.7%.

Over the last month most districts have seen relatively small changes in claimant proportions. The largest rises between June 2008 and June 2009 have been in Walsall (+3.4 percentage points), Redditch (+3.3), Cannock Chase (+3.1) and Tamworth (+3.1). By contrast the smallest annual rises have been in North Shropshire and Stratford-on-Avon, both seeing a rise of just 1.4 percentage points. In terms of relative change, on average the region has seen a 79% increase in its number of JSA claimants. For some parts of the region this is much higher, with Tamworth and

West Midlands Overview - Labour Market

Wyre Forest seeing a 170% and 164% rise in claimants respectively. The smallest relative change has been in districts that had high number of claimants before the recession, such as Birmingham (+44%) and Wolverhampton (+58%).

A number of the region's urban districts now have very high claimant proportions, the highest being in Wolverhampton at 8.0%. This is followed by Birmingham (7.7%), Sandwell (7.4%) and Walsall (7.2%). These proportions are even higher for male claimants, with the claimant proportion for men in Birmingham and Wolverhampton now 11.3% and 11.2% respectively.

Local Authority Claimant Count Levels and Proportions² (non-seasonally adjusted)

	June 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	176,625	5.4	-842	0.0	77,701	2.4	79%
Herefordshire	3,056	3.0	2	0.0	1,626	1.6	114%
Stoke-on-Trent	8,843	5.9	-138	-0.1	4,017	2.7	83%
Telford and Wrekin	4,843	4.8	-5	0.0	2,558	2.5	112%
Shropshire	4,995	2.9	-91	-0.1	2,592	1.5	108%
Bridgnorth	875	2.9	-3	0.0	526	1.7	151%
North Shropshire	1,028	2.9	-19	-0.1	495	1.4	93%
Oswestry	829	3.5	-26	-0.1	396	1.7	91%
Shrewsbury and Atcham	1,716	3.0	-30	-0.1	921	1.6	116%
South Shropshire	547	2.3	-13	-0.1	254	1.1	87%
Staffordshire	18,759	3.7	-328	-0.1	10,566	2.1	129%
Cannock Chase	3,085	5.2	-54	-0.1	1,852	3.1	150%
East Staffordshire	2,456	3.7	-159	-0.3	1,332	2.0	119%
Lichfield	1,969	3.4	-29	0.0	1,166	2.0	145%
Newcastle-under-Lyme	2,954	3.8	-53	-0.1	1,499	1.9	103%
South Staffordshire	2,168	3.4	31	0.1	1,138	1.8	110%
Stafford	2,163	2.9	-67	-0.1	1,122	1.5	108%
Staffordshire Moorlands	1,583	2.8	-17	0.0	957	1.7	153%
Tamworth	2,381	4.9	20	0.0	1,500	3.1	170%
Warwickshire	11,948	3.7	-255	-0.1	6,324	2.0	112%
North Warwickshire	1,509	3.9	-67	-0.2	933	2.4	162%
Nuneaton and Bedworth	3,889	5.2	-11	0.0	1,989	2.7	105%
Rugby	2,238	4.1	-42	-0.1	1,155	2.1	107%
Stratford-on-Avon	1,688	2.5	-62	0.0	997	1.4	144%
Warwick	2,624	3.1	-73	0.0	1,250	1.5	91%
Birmingham	48,384	7.7	-109	0.0	14,871	2.4	44%
Coventry	11,152	5.7	-83	-0.1	4,470	2.3	67%
Dudley	10,614	5.8	56	0.1	5,111	2.8	93%
Sandwell	12,890	7.4	58	0.1	5,484	3.1	74%
Solihull	5,285	4.4	-65	0.0	2,708	2.2	105%
Walsall	10,772	7.2	-175	-0.1	5,118	3.4	91%
Wolverhampton	11,436	8.0	155	0.1	4,220	2.9	58%
Worcestershire	13,648	4.1	176	0.1	8,036	2.4	143%
Bromsgrove	2,100	3.8	35	0.1	1,189	2.2	131%
Malvern Hills	1,079	2.6	57	0.1	650	1.6	152%
Redditch	2,801	5.5	-19	0.0	1,667	3.3	147%
Worcester	2,648	4.5	51	0.1	1,418	2.4	115%
Wychavon	2,315	3.3	-1	0.0	1,430	2.1	162%
Wyre Forest	2,705	4.6	53	0.1	1,682	2.8	164%

Source: ONS, Labour Market Statistics, July 2009

² 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.

West Midlands Overview - Labour Market

Regional Employment Monitoring

Manufacturing

- Longton firm R House China & Glass has gone into administration, leaving around 30 jobs at risk.
- 350 jobs are to be lost from **Castings** engineering components in Walsall due to reduced production
- **Qinetiq** in Malvern are to cut around 150 jobs following 200 cut last year due to cuts in defence spending
- **Titan Europe** engineering in Wyre Forest has announced 100 job cuts, no reason was given but earlier cuts have been blamed on the slump in construction and agriculture.

Automotive Manufacturing

- **Aston Martin** have announced that 95 jobs will be axed at the Gaydon plant, in Warwickshire, no reason has been given, but it is reported that the Union rejected proposed cost saving measures.
- **Textile Assemblies** in Small Heath has announced that 78 jobs of 172 are to be lost due to a low order book – the firm manufactures vehicle interior trim.

Food and Drink Manufacturing

- Warwickshire-based **Elizabeth the Chef** could see the loss of nearly 300 jobs could be lost when their business moves to larger more automated premises in Leamington.
- **3663 First for Food** service is considering closing its Lichfield depot, leaving around 220 jobs at risk.
- **Clintons Quality Foods**, a Dudley based meat wholesaler has gone into liquidation resulting in the loss of 39 jobs.

Construction

- **Ashford Construction** have gone into administration, 48 of 51 jobs are to be lost at the Birmingham based contracting business

Services and Distribution

- An estimated 100 jobs are to be lost at **Lloyds Bank** Birmingham
- **DHL** are closing their Landor Street logistics site in Birmingham resulting in the loss of 60 jobs.
- The **NEC** announced in mid-July that 82 jobs will be lost due to light trading conditions
- Cold Move **Oswestry** has acquired the Liverpool Produce Terminal, and will create an initial 50 jobs with the reopening of a 90,000 sq ft cool store.
- 80 IT workers could lose their jobs at Wolverhampton-based construction group **Carillion** after it transferred their work to an outside contractor

Retail

- Card company **Birthdays** has gone into administration, leading to the closure of more than 100 stores nationwide.

Public Sector

- Further redundancies have been made at **Walsall Council** bringing the total since June 2008 to 470. Jobs have been lost in schools, children's services and social care and have been blamed on a fall in income.
- **Wolverhampton City Council** are making further job cuts, the current total of 250 is likely to include 150 which were announced in November 2008.
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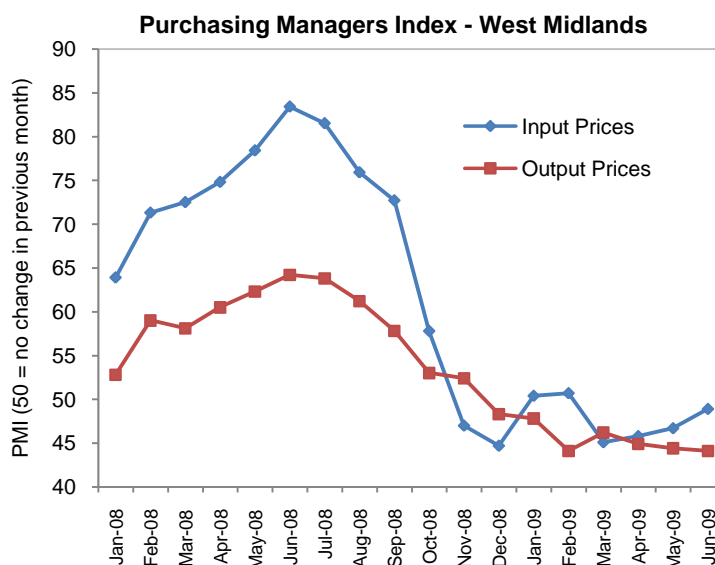
And some regional good news stories.....

- **Apex Credit Management** are to move to new headquarters in Stratford and is looking to recruit 60 more employees by the end of the year.
- **Morgan Ashurst**, a Stratford based engineering company, has won a £71m contract to build a new wing assembly plant for Airbus at its Broughton factory in north east Wales.
- **Merlin Entertainments** have announced a 10-year plan to develop *Alton Towers*, potentially creating employment for an additional 735 people.
- The replacement **Tesco Extra** store in Lichfield will create employment for 200 people, it is not clear how many of these are new jobs as there are reports that existing staff from the site may have already been laid off.
- 150 jobs are anticipated at a new **Tesco** store which has been granted planning permission in Rugby.
- **Red Diamond Buses** are expanding and opening a new depot in Worcester, creating 60 new jobs.
- **Alliance C02** green technologies have announced that 100 new sales jobs will be created in Bridgnorth due to increased demand.
- **Brookly Ford** has sold 2 car dealerships in Kidderminster and Malvern out of administration to a new company, saving 40 jobs.
- **TK Maxx** is to employ 200 temporary workers at its Newcastle under Lyme warehouse, starting in September.
- **TJ Hughes** are set to create 70 jobs in Hanley when it opens up the old Woolworths store in Hanley.

West Midlands Overview – Inflation & Investment

According to the PMI, businesses within the West Midlands saw a fourth consecutive month of falling input prices in June. Price falls were more prevalent in the manufacturing sector, as a result of the lower prices of raw materials, greater competition and exchange rates. Overall the rate at which input prices have fallen has been less in the West Midlands than the UK average.

Business also reported a fall in output prices in June for the seventh consecutive month. These falls have generally been at a sharper rate than the falls in input prices, with businesses citing high levels of competition as a key driver. The downward pressures on prices are worse than the UK average. These trends highlight that businesses in the West Midlands are facing particular pressures on their profit margins.



Source: PMI West Midlands. Markit Economics, July 2009

The FSB's Snapshot Poll in June reported that 49% of respondents in the West Midlands said their trade had decreased over the last two months, compared with a UK average of 44%. The poll notes that businesses in urban parts of the region have seen a particularly steep decline in trade, down 50%. Just over a fifth of responding businesses reported having seen an increase in trade over the last two months. 70% of responding businesses reported feeling quite or very confident about the future prospects of their business, compared with a UK average of 72%.

West Midlands Overview – Housing, Property & Regeneration

The Royal Institute of Chartered Surveyors (RICS) reports that in June the West Midlands saw the weakest balance of surveyors reporting a fall in prices over the month, with 46% of respondents reporting falls and just 1% reporting a rise in prices.

Within the region the greatest falls in average prices between May and June were seen in Sandwell (-2.7%) and Birmingham (-2.6%). In contrast a number of local authority areas saw rises in average prices over the month, the highest being in Herefordshire (+1.6%) and Wolverhampton (+0.9%). In the year to June 2009 the largest fall in prices has been in Coventry (-17.1%), whilst the smallest drop has been in Dudley (-12.0%).

Average House Price Changes

	Monthly Change (%)	Annual Change (%)	Average Price (£)
West Midlands Region	0.5	-11.9	130,810
Herefordshire	1.6	-12.3	170,941
Stoke-on-Trent	0.2	-14.4	79,499
Shropshire	0.3	-12.9	156,162
Staffordshire	0.3	-12.4	132,325
Warwickshire	0.5	-15.0	152,554
Birmingham	-2.6	-15.3	113,796
Coventry	0.6	-17.1	105,941
Dudley	0.7	-12.0	123,490
Sandwell	-2.7	-16.1	95,953
Solihull	0.6	-16.1	177,638
Walsall	-0.3	-12.7	113,796
Wolverhampton	0.9	-13.4	106,804
Worcestershire	0.3	-14.6	160,128

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

Source: Land Registry House Price Index, July 2009