

# West Midlands monthly economic update report

March 2009

## National Headlines:

- Earlier estimates that GDP contracted by -1.5% in Quarter 4 2008 have been revised down to -1.6% following a far greater decline in the construction sector than expected (-4.9% rather than the -1.1% first estimated). The average of latest independent forecasts estimate that the UK economy will contract by -3.1% in 2009.
- Manufacturing output in the three months to January was down 6.4% on the previous quarter, with much sharper contractions in some sub-sectors, (e.g. basic metals and metal products; transport equipment).
- The three months to January saw the total of new construction orders fall to 32% below a year earlier, with new orders for private sector housing and private industrial development 55% and 52% lower than the previous year.
- The 3 months to Jan saw the unemployment in the UK rise above 2 million (2.03m) & the unemployment rate rise ½% to 6.5%. The claimant count rose by 138,000 (Jan to Feb), the largest ever monthly increase.
- Independent forecasts published by the Treasury predict that claimant unemployment could rise to 2.27 million by the end of 2010, significantly higher than the current total of 1.39 million.
- The Consumer Price Index reported that annual inflation rose to 3.2% in February (up from 3.0% in January).
- The Land Registry reports that average house prices in February 2009 are 16.5% lower than a year earlier – this is the largest annual decrease on record.
- The Nationwide's Consumer Confidence Index saw a slight improvement in February, with a greater proportion of those questioned saying they expect economic conditions to have improved in six months' time.
- The World Bank forecasts that 2009 will see the greatest fall in international trade in 80 years.

## Regional Headlines:

- In February the Purchasing Managers Index (PMI) reported that business activity is contracting in the West Midlands faster than any other UK region. After easing in the previous 2 months, the rate of decline accelerated slightly in February. Contractions are particularly sharp in the manufacturing sector, partly reflecting the higher exposure to the difficulties experienced in the automotive sector.
- The region's companies reported a substantial reduction in the level of new work received during February, the rate of reduction has accelerated with only the East Midlands reporting a faster rate of contraction.
- Regional unemployment rose by 29,000 people in the three months to January, representing 18% of the UK increase. The West Midlands' unemployment rate is now 7.9%, up 2.3 percentage points on a year ago.
- The region's claimant count rose by 15,700 between January and February (11% of the national increase). The greatest increases in the region were seen in Birmingham and Staffordshire.
- There were 14,790 redundancies notified between December and February – a 269% increase on a year earlier. Notified vacancies in the three months to February were 37% lower than last year.
- The Land Registry reports that house prices in the West Midlands have fallen by 17.7% over the last year – this is the greatest drop of any of the UK regions.
- The contraction of new construction orders has been much sharper in the West Midlands – with Q4 orders down 53% on the previous year compared to an England average of -30%.

## UK Overview – Output / Business Activity

Revised figures show that the economy contracted by 1.6% in Quarter 4 2008, down from the initial estimate of -1.5%. This is 2% lower than performance in the same quarter in 2007. The contraction was greater than previously thought as a result of a much steeper fall in construction activity than originally estimated.

March saw a range of economic forecasts for 2009 being revised down further. The independent forecasts published monthly by the Treasury saw the average forecast for GDP growth in 2009 reduced further to -3.1% (from -2.7% in February). This figure is in sharp contrast to the +1.9% growth that forecasters predicted for 2009 in March 2008. The average forecast for 2010 was reduced slightly to +0.4% (from 0.5% in February's forecasts). At the G20 conference in March the IMF stated that they now believe that global growth in 2009 will be below zero (down from +0.5% in their January forecasts). They forecast that advanced economies will now contract by between 3.0 and 3.5% in 2009.

**Manufacturing** – the Bank of England reports that whilst the manufacturing sector's overall output has seen significant falls, these have been greater in some sub-sectors than others. Whilst the automotive and construction sectors and their supply chains have seen considerable falls in their output, the pace of contraction has been less sharp in other sectors, for example aerospace and food processing. Production levels within the UK's manufacturing sector have now fallen to levels seen in 1992 and the number of people employed in the sector in the three months to January was 12,000 down on a year earlier. In the three months to January 2009, manufacturing output fell by 6.4% on the previous quarter. The greatest contractions during this period were seen in basic metals and metal products industries (-11.4%); transport equipment industries (-10.8%); and machinery and equipment products industries (-9.8%). By contrast, between January and February 2009 the food, beverage and tobacco industries saw an increase in output (+0.9%). The national PMI reported a sharp, further fall in output amongst manufacturers in February suggesting that Quarter 1 2009 will see a similar contraction to that seen in late 2008. The Engineering Employers Federation and British Chambers of Commerce have forecast that manufacturing output will fall by 8.6% and 9.0% respectively in 2009.

**Automotive manufacturing** – The Society of Motor Manufacturers and Traders (SMMT) report that new car registrations were down 22% in February compared to a year earlier. This fall was slightly better than expected, especially since February is typically a slow month due to the registration plate change in March. The SMMT expects the new car market to fall by 1.72 million units in 2009. Falling demand and the need to destock continues to impact on production, with the SMMT reporting that total vehicle production in February 2009 was 59% lower than a year earlier.

**Services** – the Bank of England reports that demand for consumer services has been contracting faster than retail sales, with pubs and restaurants citing falling spend, and demand for property-related and financial services seeing a fall in demand. A number of business services sub-sectors are reporting further falls in turnover, with haulage and distribution seeing sharp falls. Whilst some business services firms have seen recent growth in insolvency and litigation work, these have been largely outweighed by other areas such as acquisitions and tax advice.

**Construction** – construction output has fallen considerably over the last year, with revised figures from Q4 showing the sector contracted by 4.9% considerably lower than the previous estimate of -1.1%. Activity has been much slower in terms of house-building (especially private sector) and commercial developments. Whilst those schemes with planning approval tend to be going ahead, local authorities report a drop in applications which will affect the pipeline.

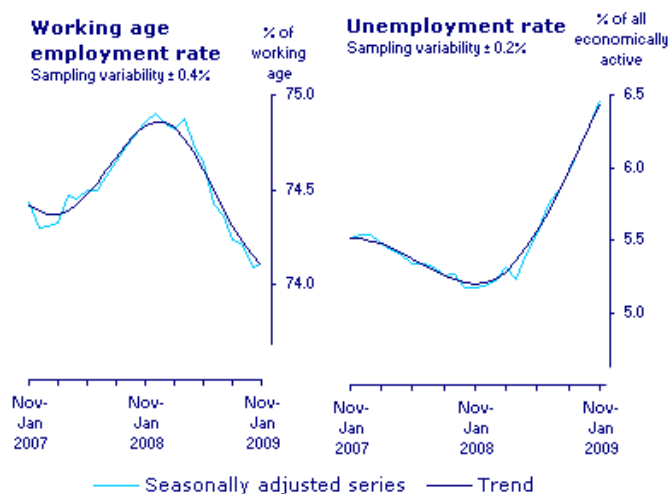
**Retail** – In February the British Retail Consortium (BRC) reported that like-for-like sales were down 1.8% on February 2008. Whilst food sales continued to grow (+4.3%) the pace of this growth has slowed. With the exception of children's clothing, all non-food sectors saw further falls in sales as January sales came to a close and consumers were hampered by February's snow. Non-food, non-store sales continue to be significantly higher than last year (+12.3%), but saw growth in online and mail order sales fall sharply in February. The BRC warns that falling prices and rising import prices are impacting on many retailers, with the risk of future job losses and cost-cutting measures.

## UK Overview – Labour Market

The three months to February 2009 saw the number of people in employment in the UK rise by 2,000 compared with the previous quarter to total 29.4 million.

This figure is however 75,000 lower than it was in the same period a year earlier. Nationally the working age employment rate was 74.1%. This is 0.1 percentage point lower than the previous quarter and 0.7 percentage point down on a year ago.

In the three months to January 2009 the number of people in full-time employment fell 48,000 on the previous three months. By contrast the number of people in part-time employment rose by 50,000.



Source: ONS, Labour Market Statistics, March 2009

The three months to January 2009 saw unemployment levels in the UK break the 2 million threshold (2.03 million). This was an increase of 165,000 on the previous quarter and up 421,000 on a year earlier. The UK's unemployment rate rose by 0.5 percentage points over the quarter to 6.5%; 1.3 percentage points higher than a year ago. The UK's claimant count rose by 138,000 people in February to 1.39 million – this was the largest ever monthly increase. This reflects a claimant count rate of 4.3%, up 0.4 percentage points on January's rate and 1.8 percentage points on February 2007. Independent forecasts published by the Treasury predict that claimant unemployment could rise to 1.93 million in Q4 of 2009 and 2.27 million in Q4 2010.

The number of economic inactive people of working age fell by 102,000 in the three months to February 2009 to total 7.80 million. This total is 78,000 lower than the same period a year ago. The economic inactivity rate for the three months to February is 20.6%, down 0.3 percentage points on both the previous quarter and a year earlier.

In the three months to January 2009 the Labour Force Survey reported that 266,000 people had become redundant during the prior three months. This figure is 86,000 higher than the previous quarter and 154,000 higher than a year ago. The redundancy rate was 10.5 per 1,000 employees. This rate has risen by 3.4 on the previous quarter and by 6.0 over a year earlier. There were 482,000 job vacancies in the three months to January 2009. This was 74,000 fewer than in the previous quarter and 203,000 less than a year earlier. In December 2008 there were 203,000 fewer workforce jobs compared to three months previously and 284,000 lower than a year earlier. Whilst there were decreases in jobs in all sectors, the largest fall was seen in the finance and business services sector (102,000).

### UK Labour Market Statistics

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Nov – Jan 09	29,379	+2	-75	74.1	-0.1	-0.7
Unemployment**	Nov – Jan 09	2,029	+165	+421	6.5	+0.5	+1.3
Economically active*	Nov – Jan 09	31,408	+167	+346	79.4	+0.3	+0.3
Economically inactive***	Nov – Jan 09	7,797	-102	-78	20.6	-0.3	-0.3
Claimant count <sup>+</sup>	Feb 09	1,391.1	+138.4	+595.6	4.3	+0.4	+1.8

\*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 claimant rate is the number of claimants as a percentage of claimants plus the number of workforce jobs

Source: ONS, Labour Market Statistics, March 2009

## UK Overview – Inflation

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

The CPI saw annual inflation rise in February to 3.2% (up from 3.0% in January). The Retail Price Index (RPI), which includes housing costs, fell slightly, from 0.1% in January to 0.0% in February. The largest upward pressures in the CPI came from food and non-alcoholic beverages, with further pressures from transport costs and recreation and culture where prices have risen more than a year ago.

The only downward pressure on the CPI came from housing and household services, principally gas and electric. The RPI continues to see downward pressures from housing, largely driven by falling mortgage payments

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

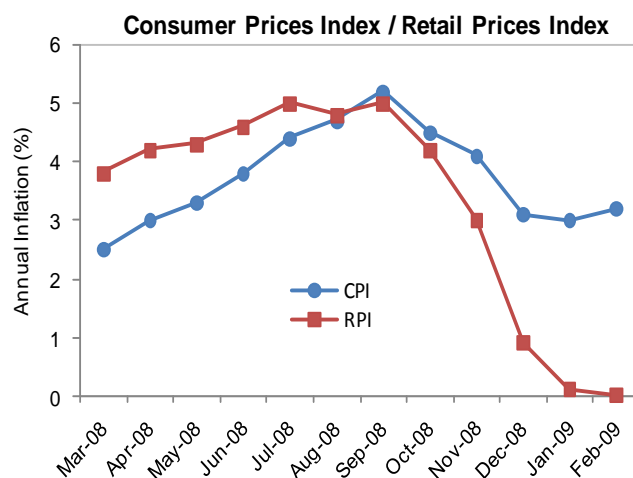
Date	Percentage Change			
	Input Prices (material and fuels purchased - not seasonally adjusted)		Output Prices (all manufactured products - not seasonally adjusted)	
	12 months	1 month	12 months	1 month
September 2008	24.1	-1.7	8.5	-0.3
October 2008	16.0	-3.9	6.7	-1.0
November 2008	8.1	-3.3	5.1	-0.8
December 2008	3.2	-2.6	4.6	-0.1
January 2009	1.5	0.9	3.5	0.1
February 2009	0.5	0.6	3.1	0.1

Source: National Statistics, Producer Prices Index, March 2009

Input prices for the material and fuels bought by the manufacturing industry rose by 0.5% in the year to February 2009, down from 1.5% in the year to January. Input prices increased by 0.6% between January and February 2009, driven by an increase in the cost of crude oil. When excluding volatile sectors (food, beverages, tobacco and petroleum), input prices rose 8.9% in the year to February, lower than the annual inflation of 10.7% seen in January.

Annual inflation for home sales of manufactured products rose was 3.1% for the year to February 2009, compared with 3.5% the previous month. There was a 0.1% rise in output prices between January and February 2009. This was driven by higher prices for petroleum products. When excluding the more volatile sectors, annual inflation was 3.7% for the year to February 2009 and unchanged between January and February.

The Bank of England reports that some companies are seeing the fall in demand has resulted in purchasers having a strong negotiating position on prices, putting additional pressure on suppliers' profit margins. A special survey they have undertaken to explore cost pass-through has seen that suppliers are facing reluctance to pass through any increase in their costs, but are equally under pressure to pass on any decreases in costs. The survey also found that over the last six months the factors that have most affected companies' costs have been rising costs for energy and imported goods and components.



Source: Office of National Statistics, March 2009

## UK Overview – Housing, Property & Regeneration

Between January and February the Land Registry reports that house prices fell by 2.0% - a faster rate than in previous months. The Nationwide and Halifax indices present similar figures, reporting falls of 1.8% and 2.3% over the month respectively. In the case of the Halifax, this offset the slight increase in prices they had reported in January, with their trend over the three months to February, 3.6% lower than the previous quarter. The Nationwide reports that prices have fallen by 17.6% over the year, whilst the Halifax states that prices have fallen by 17.7%. The Land Registry reports an annual fall of 16.5%, the greatest on record.

Falling house prices and interest rates continue to have a positive effect on affordability. The Halifax report that the ratio between house prices and average earnings fell to 4.42 in February 2009. This is at its lowest since February 2003. However mortgage availability, especially at higher loan to value ratios continues to exclude many first-time buyers.

The volume of new construction orders in Great Britain has fallen dramatically over the last year. In the three months to January 2009 the total volume of new orders fell by 12% compared with the previous three months and were 32% lower than the same period a year earlier. This contraction in activity is even greater for some types of construction activity. In the three months to January 2009, new orders for private sector housing rose by 5% compared with the preceding quarter, but they were 55% lower than the same period the previous year. By contrast public and housing association housing orders fell by 43% compared with the previous quarter and 45% compared to the period in 2007.

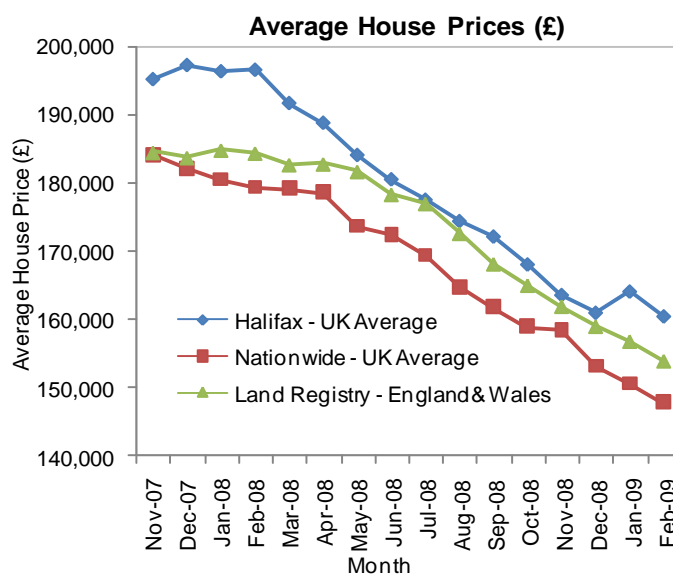
Private commercial and industrial orders have also shrunk significantly. In the three months to January 2009 the volume of private commercial orders was 38% less than the previous quarter, but was 51% lower than the same period in 2007/08. The volume of private industrial orders also fell, down 47% on the previous three months and down 52% on the same period a year earlier. By contrast the volume of new infrastructure orders (public and private sector) has risen in recent months, in part due to Government steps to bring forward public spending in response to the recession. For the three months to January 2009 new infrastructure orders were 56% higher than the previous quarter and 46% higher than the same quarter a year earlier.

### New Construction Orders in Great Britain

	Volume of Orders: Seasonally adjusted; Constant (2005) prices (£m)						
	Public Housing <sup>1</sup>	Private Housing <sup>1</sup>	Infrastructure	Public (excl. infra.)	Private Industrial	Private Commercial	All New Work
Aug 08	225	345	521	605	315	991	3005
Sept 08	160	488	254	703	122	1265	2993
Oct 08	231	389	354	507	209	1037	2729
Nov 08	143	401	199	852	135	707	2438
Dec 08 <sup>P</sup>	103	461	951	669	151	728	3063
Jan 09 <sup>P</sup>	107	418	617	393	55	603	2194

<sup>1</sup> Excludes orders for home improvement work; <sup>P</sup> Provisional figures

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



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

# UK Overview – Confidence & Investment

## Consumers

The Nationwide's Consumer Confidence Index improved slightly in February 2009, rising two points from January to 42. This was the first increase the index has seen since October 2008 and largely driven by consumers being more optimistic about future economic conditions. More of those questioned felt that the current economic situation is bad, up to 86% from the 82% recorded in January. Two-thirds of those questioned thought there are fewer jobs available, compared to a third believing so six months ago. However a greater proportion of those questioned felt that economic conditions will have improved in six months' time, rising from 17% in January to 19% in February. 18% of respondents believed there would be some or many jobs available in six months' time, up from 15% in January.

Consumers continue to be resilient in terms of spending. This is likely to be attributable to both the significant discounting of goods and the fact that many consumers are seeing an increase in their disposable income as a result of falling interest rates. The proportion of people who thought now is a good time to make a major purchase (e.g. house, car) rose from 33% in January to 38% in February.

Whilst stakeholders report that housing market activity remains low they recognise that there are some early signals that it may be starting to stabilise. The British Bankers Association reports that mortgage approvals increased in February 2009 but remains markedly down (-31%) on last year. Lower prices and interest rates are likely to be driving the increase in new buyer enquiries reported by estate agents. However, this increase is yet to feed through to sales. Many consumers still expect house prices to fall further and the requirement from many lenders for a larger deposit is likely to be a constraint for many buyers. However lenders report that consumers are becoming more optimistic about the future of house prices and that increased enquiries could rapidly flow through to sales when confidence returns. The Nationwide reported that in February consumers expected house prices to fall by 4.7% over the next six months, compared to their expectation of a 6.2% drop when asked in January.

## Business

The Bank of England reports that credit conditions remain a concern for many companies, in particular for working capital and project finance. There are reports that companies are experiencing longer periods between providing goods and services and receiving payment, with some requesting upfront payments from companies that have been refused trade credit insurance. The CBI's February Access to Finance found 60% of companies that had sought new or renewed finance lines said its availability had deteriorated over the last three months, with no companies saying they had seen an improvement.

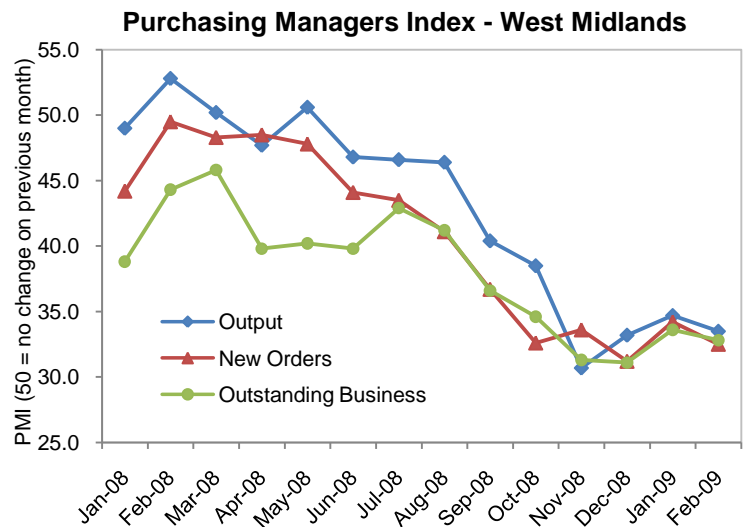
The Bank of England reports that many businesses are continuing to cut back on their investment plans or to postpone previously planned and approved projects due to uncertain future prospects. Revised official statistics show that business investment in Q4 2008 was down 1.5% on Q3 and 4.5% lower than Q4 2007. The Bank of England reports that some consumer-facing companies are continuing with capital investment, but that these are largely restricted to those that will pay quick returns or that are necessary to meet regulatory requirements. Falls in investment plans is contributing to a slowing of new lending. The Bank of England reports that companies are often reluctant to approach banks for new lending due to a fear that it will result in an unfavourable review of their existing finance agreements. Companies continue to report that banks have not passed on the benefits of the falling base rate; have introduced or increased fees; and have tightened their criteria for new lending.

Falling consumer demand is affecting International trade. The World Bank expects 2009 to see the largest fall in international trade in 80 years. The world's largest exporter, Germany, has seen export levels fall by 18% on last year, whilst the US saw its international trade fall by 25% in January compared to 2008 with both falling import and exports. This trend is having a big impact on Asian countries' heavy reliance on export, with for example Japan seeing a 46% drop in exports. UK figures show that in the three months to January 2009 goods exports fell by 9.3% in value and 9.1% in volume compared to the previous quarter. The Bank of England reports the rising costs of imports is prompting some UK companies to switch to domestic suppliers.

## West Midlands Overview – Output / Business Activity

Produced for the Royal Bank of Scotland by Markit Economics, the Purchasing Managers Index (PMI) surveys businesses from the manufacturing and service sectors to track a series of variables<sup>1</sup>. The Index gives the earliest indication of business conditions each month.

In February the PMI reported that business activity was contracting in the West Midlands at a faster rate than any other UK region. After easing slightly in January and December this contraction gained pace again in February. Whilst falls in activity were seen across all sectors it was particularly evident for manufacturing businesses, reflecting the sector's vulnerability to weaknesses in the automotive industry.



Source: PMI West Midlands, RBS / Markit Economics, March 2009

Lower levels of business activity were attributed to falling new orders. Over half of businesses reported a fall in new orders received, with many reporting that customers had postponed or cancelled new contracts due to weak economic and credit conditions. Of the UK regions, only the East Midlands recorded a faster decline in the volume of businesses' new orders. Both manufacturing and service sector businesses reported declines in their stocks of outstanding business, but the rate of this decline was much sharper in the service sector.

### 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
November 2008	30.7	37.9	33.6	35.8	31.3	35.4
December 2008	33.2	38.5	31.2	36.3	31.1	35.6
January 2009	34.7	40.6	34.2	39.1	33.6	36.7
February 2009	33.5	40.0	32.5	39.9	32.8	36.3

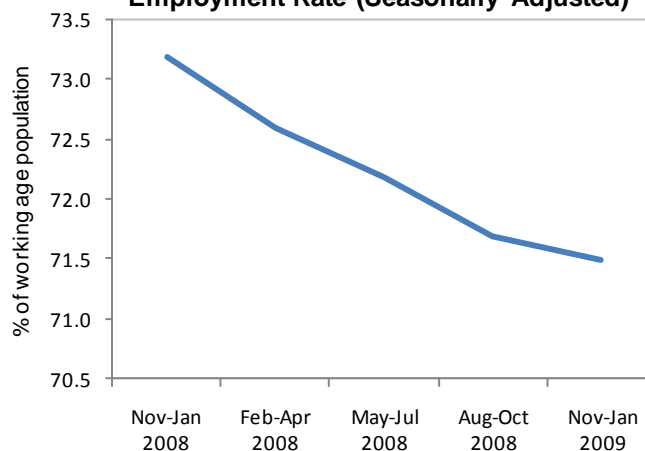
Source: PMI West Midlands, March 2009 (RBS / Markit Economics)

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

## West Midlands Overview – Labour Market

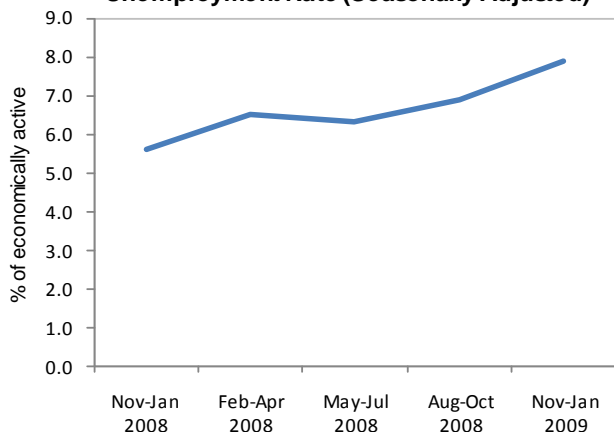
In the three months to February 2009 the number of employed people in the West Midlands has increased by 1,000 over the previous quarter but fallen by 52,000 over the year. The region's employment rate is now 71.5%, down 0.1 percentage point on the quarter before and 1.7 points on the same period a year earlier. The level of economic inactivity continued to decrease in the region. The number of economic inactive people of working age fell by 22,000 over the quarter and by 3,000 over the year.

**Employment Rate (Seasonally Adjusted)**



Source: ONS, Labour Market Statistics, March 2009

**Unemployment Rate (Seasonally Adjusted)**



Source: ONS, Labour Market Statistics, March 2009

The West Midlands' unemployment level rose by 29,000 over the three months to January 2009 to total 210,000. This is 61,000 higher than a year earlier. The region's increase represents 18% of the UK rise. The region's unemployment rate is now 7.9%, up a percentage point on the previous three months and 2.3 percentage points above the rate a year ago. The region's claimant level rose by 15,700 people between January and February 2009, to total 160,400. This increase equates to 11% of the UK's increase. The region's claimant count rate rose 0.6 percentage point over the month to 5.8%. This is 2.4 percentage points higher than February 2008.

The number of notified vacancies in the region rose again in February 2009 to 30,238. This was considerably higher than the 10,813 reported in January, but down from 46,263 in February 2008. Vacancies in the three months to February were 37% lower than last year. 52% of current vacancies were in the banking, finance and insurance sector whilst 14% were in the distribution, hotels and restaurant sector. On average there are currently 5.3 claimants in the region for every notified vacancy.

### West Midlands Labour Market Statistics

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Nov – Jan 09	2,452	+1	-52	71.5	-0.1	-1.7
Unemployment**	Nov – Jan 09	210	+29	+61	7.9	+1.0	+2.3
Economically active*	Nov – Jan 09	2,663	+30	+9	77.9	+0.7	+0.1
Economically inactive***	Nov – Jan 09	721	-22	-3	22.1	-0.7	-0.1
Claimant count <sup>+</sup>	Feb 09	160.4	+15.7	+65.6	5.8	+0.6	+2.4

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

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

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

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

Source: ONS, Labour Market Statistics, March 2009

## West Midlands Overview – Labour Market

14,790 redundancies were notified in the region between December 2008 and February 2009, a 269% increase on the same period a year ago. 27% of these were in the Coventry and Warwickshire sub-region; 22% in the Black Country; 19% in Birmingham and Solihull; 16% in Staffordshire; and 15% in the Marches. The number of redundancies notified in Staffordshire and Coventry & Warwickshire were 631% and 527% higher than the same period last year respectively.

Figures from Jobcentre Plus highlight that there are some significant mismatches in the types of vacancies available and the occupations sought by new claimants. For example between December 2008 and February 2009, Jobcentre Plus were notified of 2,896 vacancies for 'sales and retail assistants' posts, a figure dwarfed by the 12,510 people of seeking work in this occupation coming onto the claimant register. By contrast there were 5,872 'care assistants and home carer' vacancies available, compared with 1,900 claimants looking for this type of occupation.

February's PMI reported that a third of businesses surveyed in the West Midlands had shed staff in response to falling activity, new orders and levels of outstanding business. The pace at which businesses in the region are shedding staff is faster than the UK average and sharper in the manufacturing sector. In the three months to February the PMI reports that the West Midlands has seen the sharpest employment drop of the UK regions.

### Sub-Regional Picture

All of the districts within the region saw a further increase in their claimant level and claimant proportion between January and February 2009. Of the region's upper tier authorities the greatest monthly increases in claimant levels were seen in Birmingham (3,841) and Staffordshire (3,258). The greatest increases in claimant proportions were seen in Stoke-on-Trent, with a 0.9 percentage point increase over the month.

Amongst the region's lower-tier districts the largest increases in claimant levels were in Cannock Chase (584), Newcastle-Under-Lyme (552) and Redditch (549). Redditch and Tamworth saw their claimant proportions increase by 1.0 and 1.1 percentage points respectively between January and February 2008. Over the last year a number of the region's districts have seen a significant increase in their claimant proportions. Most notably Cannock Chase and Redditch districts have seen theirs increase by 3.3 and 3.2 percentage points respectively - far more than the average increase for the region (2.0) and for the UK (1.6).

Of the 26 parliamentary constituencies which comprise the 5% highest in England in terms of their claimant proportions 11 are in the West Midlands (see below) and 18 amongst the top 10%. This is an increasing number; In February 2008 9 and 16 sat within these bands respectively.

- Birmingham Ladywood
- Birmingham Hodge Hill
- Birmingham Sparkbrook & Small Heath
- Birmingham Erdington
- Wolverhampton South East
- Birmingham Yardley
- Walsall North
- Wolverhampton North East
- Walsall South
- West Bromwich West
- Birmingham Perry Barr

Eight (see below) of the region's parliamentary constituencies sit amongst the highest 5% in England in terms of their absolute numbers of claimants. A year previously there were 6 in this band.

- Birmingham Ladywood
- Birmingham Sparkbrook & Small Heath
- Birmingham Erdington
- Birmingham Perry Barr
- Birmingham Hodge Hill
- Coventry North East
- West Bromwich West
- Walsall North

## West Midlands Overview – Labour Market

### Local Authority Claimant Count Levels and Proportions<sup>2</sup> (non-seasonally adjusted)

	February 2009		Change on Month		Change on Year	
	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion
<b>Regional</b>	<b>166,448</b>	<b>5.1</b>	<b>19,658</b>	<b>0.6</b>	<b>66,819</b>	<b>2.0</b>
<b>Herefordshire</b>	<b>2,957</b>	<b>2.9</b>	<b>407</b>	<b>0.4</b>	<b>1,447</b>	<b>1.4</b>
<b>Stoke-on-Trent</b>	<b>8,758</b>	<b>5.9</b>	<b>1,323</b>	<b>0.9</b>	<b>3,896</b>	<b>2.6</b>
<b>Telford and Wrekin</b>	<b>4,529</b>	<b>4.5</b>	<b>565</b>	<b>0.6</b>	<b>2,334</b>	<b>2.3</b>
<b>Shropshire</b>	<b>4,880</b>	<b>2.9</b>	<b>741</b>	<b>0.5</b>	<b>2,361</b>	<b>1.4</b>
Bridgnorth	823	2.7	167	0.6	418	1.4
North Shropshire	1,005	2.8	95	0.2	451	1.3
Oswestry	871	3.6	121	0.5	397	1.7
Shrewsbury and Atcham	1,641	2.9	294	0.5	818	1.4
South Shropshire	540	2.3	64	0.3	277	1.2
<b>Staffordshire</b>	<b>19,040</b>	<b>3.8</b>	<b>3,258</b>	<b>0.7</b>	<b>10,644</b>	<b>2.1</b>
Cannock Chase	3,167	5.3	584	0.9	1,949	3.3
East Staffordshire	2,600	3.9	417	0.6	1,569	2.4
Lichfield	1,993	3.4	360	0.6	1,218	2.1
Newcastle-under-Lyme	2,951	3.8	552	0.7	1,461	1.9
South Staffordshire	2,051	3.2	279	0.4	986	1.5
Stafford	2,246	3.0	337	0.5	1,155	1.5
Staffordshire Moorlands	1,690	3.0	243	0.5	983	1.7
Tamworth	2,342	4.8	486	1.0	1,323	2.7
<b>Warwickshire</b>	<b>11,210</b>	<b>3.5</b>	<b>1,699</b>	<b>0.5</b>	<b>5,511</b>	<b>1.7</b>
North Warwickshire	1,500	3.9	233	0.6	905	2.4
Nuneaton and Bedworth	3,632	4.9	485	0.7	1,672	2.2
Rugby	2,018	3.7	353	0.6	901	1.7
Stratford-on-Avon	1,607	2.3	305	0.4	881	1.3
Warwick	2,453	2.9	323	0.4	1,152	1.3
<b>Birmingham</b>	<b>45,657</b>	<b>7.3</b>	<b>3,841</b>	<b>0.7</b>	<b>12,383</b>	<b>2.0</b>
<b>Coventry</b>	<b>10,119</b>	<b>5.2</b>	<b>1,127</b>	<b>0.6</b>	<b>3,440</b>	<b>1.8</b>
<b>Dudley</b>	<b>9,535</b>	<b>5.2</b>	<b>1,095</b>	<b>0.6</b>	<b>3,969</b>	<b>2.2</b>
<b>Sandwell</b>	<b>11,830</b>	<b>6.8</b>	<b>1,042</b>	<b>0.6</b>	<b>4,454</b>	<b>2.5</b>
<b>Solihull</b>	<b>4,848</b>	<b>4.0</b>	<b>624</b>	<b>0.5</b>	<b>2,344</b>	<b>1.9</b>
<b>Walsall</b>	<b>10,047</b>	<b>6.7</b>	<b>1,041</b>	<b>0.7</b>	<b>4,306</b>	<b>2.9</b>
<b>Wolverhampton</b>	<b>10,248</b>	<b>7.1</b>	<b>938</b>	<b>0.6</b>	<b>2,939</b>	<b>2.0</b>
<b>Worcestershire</b>	<b>12,790</b>	<b>3.8</b>	<b>1,957</b>	<b>0.6</b>	<b>6,791</b>	<b>2.0</b>
Bromsgrove	1,887	3.4	267	0.5	892	1.6
Malvern Hills	993	2.4	173	0.4	545	1.3
Redditch	2,713	5.3	549	1.1	1,607	3.2
Worcester	2,406	4.0	297	0.5	1,092	1.8
Wychavon	2,226	3.2	384	0.5	1,230	1.8
Wyre Forest	2,565	4.3	287	0.5	1,425	2.4

Source: ONS, Labour Market Statistics, March 2009

<sup>2</sup> Claimant Proportion – number of claimants resident in an area as a percentage of the working-age population residents in that area. A resident-based measure.

# West Midlands Overview – Labour Market

## Regional Employment Monitoring

### Manufacturing

- **Savekers** furniture makers based in Perry Bar have gone into administration – 34 jobs will be lost.
- **Mueller Europe Ltd** a manufacturer of copper tubes based in Bilston has announced 36 redundancies

### Automotive Manufacturing

- **LDV** workers have agreed a 10% pay cut in order to save jobs following a meeting at the Washwood Heath factory
- **Denso** in Telford have announced 175 redundancies as a result of the economic downturn
- **Shimzu Industry UK** based in Telford has announced that 124 jobs could be lost as the company plans to move its operations to its site in Welshpool
- **Yamazaki Mazak** in Worcester have announced 59 redundancies
- **Ricardo** in Leamington Spa has announced that 40 jobs will be lost from the Radford Semele Technical Centre
- **George Carter (Pressings) Ltd** Walsall has gone into administration due to a fall in demand relating to a lack of orders for commercial vehicles, 79 jobs will be lost.

### Services and Distribution

- **HSBC** have announced that 280 jobs will be lost from its operations at Leamington Spa as part of the national cull of 1200. The jobs losses will affect backroom rather than customer facing staff.
- **Arrow Distribution** based in Worcestershire has announced that 92 jobs will be lost after the company collapsed; they are part of the Cranham Group based in Worcestershire.
- **Casper Group** an airline and wholesale catering supply company has gone into administration 320 jobs will be lost nationally with 59 going from a facility in Rugby and more redundancies from their Birmingham centre.
- **Virgin Media** have announced that 126 jobs will go from the telesales department at its Dudley call centre.

### Property and Construction

- **Wrekin Construction** based in Shifnal, Shropshire has gone into administration, up to 600 jobs will be lost
- **David Payne Homes**, based in Bromsgrove, called in administrators in February. The company employs 37 and failed to secure sufficient funding.

### Retail

- **Apollo 2000** based in Sandwell has collapsed signaling the loss of 180 jobs, the company is part of the Cranham Group which is based in Worcestershire and has three businesses making electrical goods

### Other

- **Observer Standard Newspapers** based in Redditch went into administration following a fall in advertising revenues; the group employs 150 people.

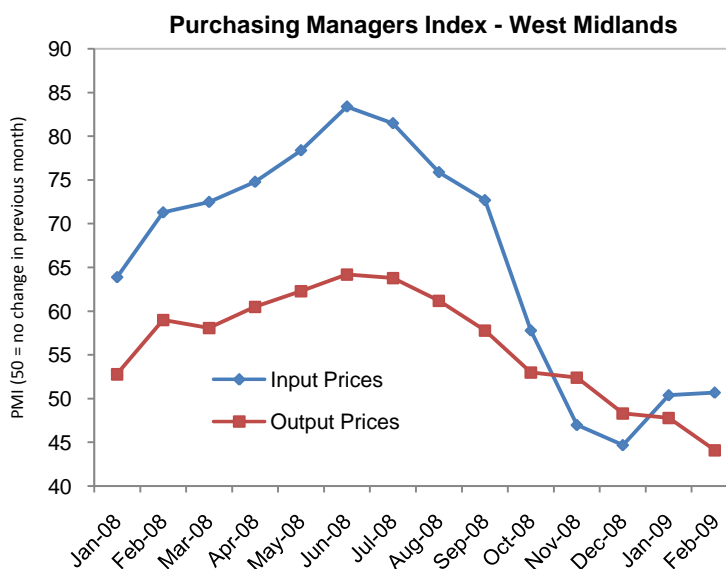
### And some regional Good News stories.....

- **BUPA** are to create 800 jobs in three new care homes, two of which are in the West Midlands at Stratford upon Avon and Malvern, they are due to open at the end of the year
- **AP Driveline** in Leamington Spa announced in January that it was going into administration, 70 jobs have been lost but the firm has been purchased by an Italian company, safeguarding 167 jobs.
- **Waterford Wedgwood** has been bought by a New York based private equity firm – KPS Capital Partners, the move could save 1,500 jobs
- The former Jaguar site at **Browns Lane in Coventry** is to be prepared for redevelopment, the focus will be on office space and manufacturing, it is hoped that the development will provide 60,000 sq m of offices and 2500 jobs.
- **Amey Support Services** are opening a new International Design Hub in Birmingham, pulling together 250 staff already working in the city into one location and creating up to 500 jobs in the next two to three years.
- **HiQ** a Birmingham based tyre servicing retailer has announced that it plans to expand its franchise potentially creating 500 jobs. Part of the Goodyear Dunlop Group, the Erdington based company plans to open 136 centres across the UK in the next three years.
- **Argos** in Worcester has announced expansion plans which will mean 30 new jobs; in addition **Dunelm** has created more than 70 jobs through its relocation of its store to a retail park outside the city centre and a new Sainsburys store in the city has created 250 jobs.
- **Lawrence Recycling & Waste Management** will be creating more than 70 jobs in coming months as they complete the development of the largest recycling facility of its kind in Europe in Kidderminster.
- **University of Worcester** announced plans to develop a 47-acre site into a third campus, creating up to 1,000 jobs

## West Midlands Overview – Inflation

February's PMI reported the businesses in the West Midlands had seen their output prices fall for the third month running with price falling at a quick pace than previous months. This trend was heavily focused on the service sector due to discounted pricing. Manufacturing businesses reported a slight increase in the prices they charged.

Businesses reported an increase in input prices, in contrast to a slight decrease seen across the UK as a whole. This increase was largely focused on the service sector due to higher salary costs. Manufacturers reported a fall in costs due to a decline in the cost of metals and polymers.



Source: PMI West Midlands. RBS / Markit Economics, March 2009

## West Midlands Overview – Housing, Property & Regeneration

The Land Registry reports that between January and February 2009 average house prices in the region fell by 3.3%. At -17.7% the annual fall in prices seen by the West Midlands is the highest any of the UK regions.

Regional figures show that the contraction of the construction sector in the West Midlands has been much sharper than the England average. Between the final quarter of 2007 and Q4 of 2008 the West Midlands saw a 65% drop in new private housing orders, compared with an average drop of 55% for England. Public housing orders fell by 81%, a much sharper drop than the England average drop of 33%. The region saw a similar drop in private commercial orders to the England average. However, the fall in private industrial orders fell much more sharply, dropping by 84% compared to a national average fall of 30%. New infrastructure orders also dropped in the region (down 33%), compared with increases seen elsewhere in England.

### New Construction Orders in the West Midlands

	Value of New Orders (current prices) (£m)						
	Public Housing <sup>1</sup>	Private Housing <sup>1</sup>	Infra-structure	Public (excl. infra.)	Private Industrial	Private Commercial	All New Work
Q4 2007	90	246	80	111	154	254	935
Q1 2008	109	222	197	160	84	318	1090
Q2 2008	68	153	63	222	31	241	778
Q3 2008	34	150	137	141	56	287	805
Q4 2008 <sup>P</sup>	17	87	54	117	25	142	442
<b>Annual Q4 Change for the West Midlands</b>	<b>-81%</b>	<b>-65%</b>	<b>-33%</b>	<b>+6%</b>	<b>-84%</b>	<b>-44%</b>	<b>-53%</b>
Average Annual Q4 Change for England	-33%	-55%	+13%	+26%	-30%	-40%	-30%

<sup>1</sup> Excludes orders for home improvement work; <sup>P</sup> Provisional figures

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

## Spotlight on the Automotive Manufacturing Sector

The automotive sector in the West Midlands is economically significant, far reaching and complex. There are auto suppliers in all the sub-regions of the West Midlands, even those that you would normally classify as rural such as Shropshire, Hereford and Worcester. In total there are over 1,800 companies with a degree of dependency upon automotive manufacturing and within these circa 115,000 employees. The breadth of companies covers vehicle manufacturing such as the global giants of JLR and JCB, to equally well recognised niche companies such as Morgan, Westfield and Modec. To support these companies the supply chain features many sub-assembly and component manufacturers plus leading R&D providers who work on all facets of automotive technology. It is this diverse excellence in the supply chains that marks the West Midlands as one of the two key automotive centres in Europe.

The current market is very depressed; many companies are struggling with monthly turnover reduced by up to 90%. This downturn in manufacturing and its supporting businesses happened very quickly in November and December 2008 and has resulted in well publicized closures, job losses, short time working and cessation of all non-required expenditure. This reflected an instantaneous halt in demand for product which has now recovered to a level in line with those of several years ago but still not at the level of the highs of 2007. Demand for product is approximately 25% down and when combined with the selling of vehicles from stock, production levels are further reduced.

The region is currently experiencing company administrations at the rate of two per week. Luckily most of these are pre-pack or have buyers/investors for the majority of their businesses. This is not solely a West Midlands problem but a global one, so there is opportunity to repatriate or win new business from those companies in or facing liquidation abroad. Ironically the present weakness of Sterling has shifted the balance of cheap manufacturing from many EU accession states back to the UK.

In general liquidity is king at present but companies are also looking for support with training, wage support, legal advice on HR issues and both immediate and longer term access to finance to invest in new projects. It is understood that when stock levels have fallen production will increase, but if companies have cut too much back they will not be able to gear up quickly enough for increased production. Also if R&D temporarily ceases there is a risk that competitive edge will be lost to those who had support to continue.

Although there is clear understanding within companies of all sizes, for the need for cash and to focus on the upturn, many of these companies do not have management experienced in times of recession, just growth and prosperity. This gives them leadership and confidence issues as they grapple with new concepts and what they need to do to mitigate the possible outcomes. It is felt that the industry has not yet felt the full impact of the recession; it is highly likely that the next six months will bring more job losses, company closures and short time working on a global scale. However this, in turn, presents many opportunities in terms of acquisitions, work returning to the UK and training/up-skilling of staff.

How do we/should we support companies through this? There are two priorities: short term financial assistance as either a loan/loan guarantee or grant; and long-term support to maintain R&D and innovation, and continued business improvement so the UK remains competitive. These are key to companies of all sizes. Within these themes there are different methods and relative needs which do depend on the size and position of a company in the supply chain.

Assistance to business to address the above priorities is either regional or national but should encompass:

- With well-informed, experienced sector aware advisors who can make appropriate referrals and mentor companies through periods of change
- MAS for manufacturing improvement projects
- Business Link for generic business improvements
- Cash loans/guarantees (with bank understanding of the automotive companies predicament)
- Grants for training in further and higher education based around vocational training where appropriate or available
- Focused R&D that builds upon expertise, develops new expertise or partners with the experts. This focus needs to avoid national duplication