

West Midlands monthly economic update report

May 2010

National Headlines:

- Estimates for growth in Quarter 1 (Q1) 2010 have been revised up from 0.2% to 0.3%, but remain 0.2% lower than in Q1 2009. Latest estimates suggest the economy will grow by 1.2% during 2010 and by 2.2% in 2011.
- Manufacturing output rose by 3.3% in the year to March 2010 and by 2.3% between February and March 2010. April's Manufacturing PMI reported a further rise in business activity levels and the fastest growth in new orders since January 2004.
- Car production in April 2010 was 44% higher than a year earlier, whilst car registrations were 12% higher.
- Service sector output increased by 0.8% in the year to March 2010 and by 0.5% between February and March 2010. April's Services PMI reported particularly strong output growth in the business services sector.
- April's Construction PMI reported a second month of rising business activity. Whilst the residential and commercial sub-sectors saw strong growth, activity in the civil engineering sub-sector continued to contract.
- The number of people in employment in the UK fell by 76,000 during Q1 2010. At 28.83 million the total was 341,000 less than a year earlier. The UK's working age employment rate (72.0%) is the lowest since Q3 1996.
- Unemployment rose by 53,000 during Q1 2010 to 2.51 million. This is 279,000 higher than in Q1 2009. The UK's unemployment rate rose by 0.2 percentage points over the quarter to 8.0%; this is 0.9 points up over the year.
- The number of people claiming Jobseekers Allowance in the UK fell by 27,100 between March and April 2010.
- There were 8.17 million economically inactive people of working age in the UK during Q1 2010. This was 88,000 more than the previous quarter. The working age inactivity rate rose by 0.2 points over the quarter to 21.5%.
- Annual inflation (Consumer Price Index) was 3.7% in the year to April 2010, up from 3.4% in March 2010. The Retail Price Index (RPI) saw 5.3% growth in the year to March, the highest annual rise seen since July 1991.

Regional Headlines:

- According to the West Midlands PMI, the West Midlands saw its growth in business activity accelerate between March and April 2010. This was in contrast to the majority of English regions which saw growth ease in April.
- The West Midlands' growth in new orders was above the UK average in April 2010 but slower than in February and March.
- Growth in business activity and new orders remains stronger in the region's manufacturing sector than amongst service sector companies, with the former reporting growing backlogs of work and the latter a contraction.
- There were 4,000 fewer employed people in the West Midlands in Q1 2010 than in Q4 2009, but at 2.43 million the total was 9,000 more than in Q1 2009.
- The number of unemployed people in the West Midlands fell by 4,000 during Q1 to 249,000, whilst the region's unemployment rate dropped by 0.1 percentage points to 9.3%.
- There were 716,000 economically inactive people of working age in the region in Q1 2010. This was 1,000 fewer than the previous quarter and 12,000 less than in Q1 2009. The region's working age inactivity rate was 21.9%.
- The region had 166,600 JSA claimants in April 2010, falling by 3,900 over the month and by 5,800 over the year.
- April's West Midlands PMI reported a third month of rising employment levels amongst businesses, with the rate of growth slightly above the UK average. Growth was focused amongst the region's manufacturing sector.

UK Overview – Output / Business Activity

Revised figures now estimate that the UK economy grew by 0.3% in the first quarter (Q1) of 2010, revised up from the earlier estimate of 0.2%. However growth during Q1 2010 remained 0.2% lower than the same period in 2009. On average the latest independent forecasts predict that the economy will grow by 1.2% in 2010 and by 2.2% in 2011. Mid-term forecasts predict growth of 2.4%, 2.7% and 2.5% for 2012, 2013 and 2014.

Manufacturing – the Index of Production reports that manufacturing output in March 2010 was 3.3% higher than a year earlier and grew by 2.3% between February and March 2010. Over the month output rose in 12 of the sector's 13 sub-sectors, only falling in the textiles, leather and clothing industries. The largest increases were seen for the machinery and equipment industries (4.2%) and basic metals and metal products industries (3.9%). April's Manufacturing PMI reported an eleventh month of rising business activity, with the pace of growth falling slightly on March. April saw the fastest growth in new orders since January 2004, with businesses linking this to improved global market conditions (with Sterling's weakness driving the fastest export growth for 15 years), promotional activities and customers restocking. The sector saw a further growth in staffing levels, with some signs that improved demand was testing businesses' capacity. This, alongside low stock levels and supplier delivery delays resulted in an increase in manufacturers' backlogs of work.

Automotive manufacturing – the Society of Motor Manufacturers and Traders (SMMT) reports that car production in April 2010 was 44% higher than a year earlier, with production for home markets seeing a significant improvement. New car registrations rose for a tenth successive month, up 11.5% on a year earlier. However 2009 sales were particularly weak and figures for April 2010 remain 15.3% lower than in April 2008. Private registrations continued to rise (+30.0%), despite the Car Scrappage Scheme ending in March, with just 8% of April's sales attributable to the Scheme. However April saw a fall in business car registrations compared to a year earlier (-13.6%). The stronger than expected sales performance in early 2010 has prompted the SMMT to revise up its forecast for the year, but sales are still expected to be 3.6% less than in 2009.

Services – the Index of Services reports that the sector's output rose by 0.8% in the year to March 2010 and by 0.5% between February and March 2010. The largest contribution to annual growth came from the distribution sector, rising by 5.5%, whilst the transport, storage and communication sector rose by 1.1%. In contrast output in the hotels and restaurant sector fell by 2.5% over the year and the business services and finance sector contracted by 0.2%. April's Services PMI found that whilst business activity continued to grow (particularly in business services), the pace slowed for a second month running. Businesses largely attributed this to a series of temporary issues, including the volcanic ash cloud (particularly for the transport, storage and communications sector), Easter and consumer uncertainties due to the general election. The pace of new orders also slowed in April but remained solid. Improvements in activity and new order levels resulted in the strongest employment growth in over two years, albeit the pace remained fairly marginal.

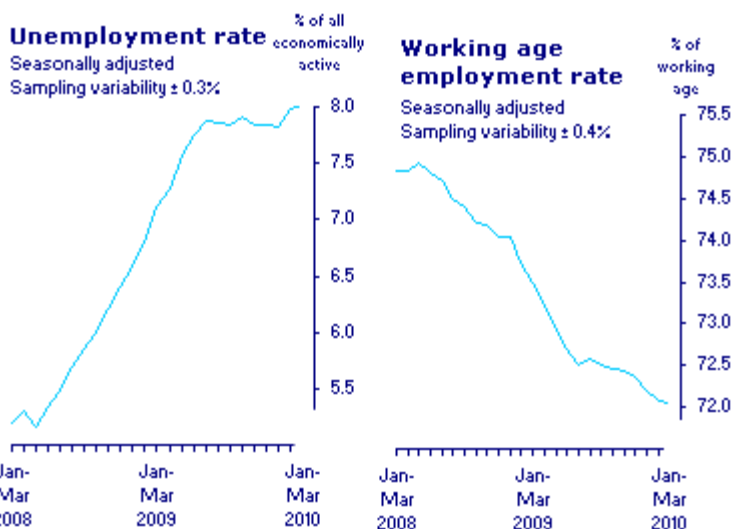
Construction – April's Construction PMI reported that business activity rose for a second month running and at the fastest pace since September 2007. The residential sub-sector continued to see the strongest growth (with the pace of growth having increased significantly since March), with the commercial sub-sector also seeing strong growth. In contrast the civil engineering sub-sector saw a further contraction in activity, albeit at a slower rate than in March. During April, the construction sector also saw new orders rise at the fastest pace since October 2007. However employment levels and sub-contractor usage continued to fall, although at a slower pace, and optimism for future months was limited by concerns about potential cuts in public expenditure.

Retail – according to the British Retail Consortium (BRC) like-for-like sales fell by 2.3% in April 2010 compared with a year earlier when sales were supported by Easter. April saw food sales drop (largely as a result of most Easter spending falling in the previous month). Non-food sales also fell, again due to Easter being earlier but also consumer caution prior to the general election, with spend focused on essential and replacement items rather than discretionary spend. The less volatile three-month average (February – April 2010) showed that overall like-for-like sales had risen by 1.6% compared with the same period in 2009, with food sales up 0.9% and non-food sales up 2.1%. April's non-food, non-store sales (i.e. internet, mail-order and phone sales) were 15.9% higher than a year earlier, although retailers noted that they had had to use more promotion activity to secure sales.

UK Overview – Labour Market

The number of employed people in the UK fell by 76,000 in the three months to March 2010 to 28.83 million. This total was 341,000 less than a year earlier. The UK's working age employment rate now stands at 72.0%, down 0.3 percentage points over the quarter and 1.5 points over the year. This is the lowest rate seen since the three months to September 1996. The employment rate fell by 0.4 points over the quarter for men to 74.9% and by 0.2 points for women to 69.0%

During Q1 2010 there were 103,000 fewer people in full-time employment, but 27,000 more people in part-time employment. Some 1.07 million employed or self-employed people claimed that they were working part-time because they were unable to find full-time work. This is 25,000 more than in the previous quarter.



Source: ONS, Labour Market Statistics, May 2010

There were 53,000 more unemployed people in the UK in Q1 2010 than in the Q4 2009. At 2.51 million the total number of unemployed was 279,000 higher than in Q1 2009 and the highest since Q4 1994. The UK's unemployment rate rose by 0.2 percentage points over the first quarter of 2010 to 8.0%. This is 0.9 percentage points higher than a year earlier. The number of people who had been unemployed for more than a year rose by 94,000 over the quarter to 757,000, whilst the number unemployed for up to six months dropped by 52,000 to 1.21 million. The UK had 1.52 million people claiming Jobseekers Allowance in April 2010. This was 27,100 less than in March, but 11,300 more than in April 2009.

The number of economically active people in the UK fell by 23,000 during Q1 2010 to a new total of 31.34 million. This is 62,000 less than a year earlier. The economic activity rate of people of working age now stands at 78.5%, down 0.2 percentage points over the quarter and down 0.8 points over the year to March 2010. The working age economic inactivity rate rose by corresponding amounts, with 21.5% of working age people economically inactive in Q1 2010. This reflected a rise of 88,000 people over the quarter, bringing the total number to 8.17 million (331,000 more than a year earlier). Around half of the increase during the quarter was attributable to the number of students not in the labour market. This rose by 43,000 over the quarter to reach 2.30 million.

The Labour Force Survey for the three months to March 2010 reports that 177,000 people had been made redundant in the preceding three months. This was 9,000 more than for the three months to December 2009 but 123,000 less than during Q1 2009. In the three months to April 2010 there were 475,000 job vacancies. This was 6,000 fewer than in the previous quarter, but 21,000 more than a year earlier.

UK Labour Market Statistics

	Reference Period	Level (000s)	Change on period (000s)	Change on year (000s)	Rate (%)	Change on period (%)	Change on year (%)
Employment*	Jan – Mar 10	28,829	-76	-341	72.0	-0.3	-1.5
Unemployment**	Jan – Mar 10	2,510	+53	+279	8.0	+0.2	+0.9
Economically active*	Jan – Mar 10	31,340	-23	-62	78.5	-0.2	-0.8
Economically inactive***	Jan – Mar 10	8,166	+88	+331	21.5	+0.2	+0.8
Claimant count ⁺	April 10	1,516.9	-27.1	+11.3	4.7	-0.1	0.0

*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

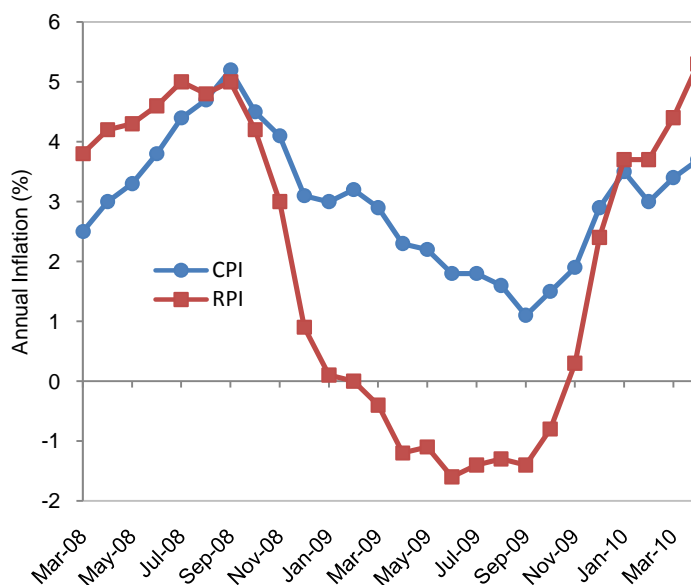
Source: ONS, Labour Market Statistics, May 2010

UK Overview – Inflation

The Government uses the Consumer Price Index (CPI) to monitor annual inflation, with a current target of 2%. The CPI rose by 3.7% in the year to April 2010, up from the 3.4% reported in March. The largest upward pressure on inflation between March and April came from clothing and footwear (in particular women's clothing). Further upward pressures came from food and non-alcoholic beverages and alcoholic beverages and tobacco. The only large downward pressure came from furniture, household equipment and maintenance.

The Retail Price Index (RPI) rose by 5.3% in the year to April 2010, the highest annual rise seen since July 1991. The largest upward contribution over the month came from housing, largely driven by rising mortgage interest payments. Other large upward pressures came from clothing and footwear and motoring expenditure (driven by vehicle tax and insurance).

Consumer Prices Index / Retail Prices Index



Source: Office of National Statistics, May 2010

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

Producer Price Indices

Date	Percentage Change			
	Input Prices (material and fuels purchased – not seasonally adjusted)		Output Prices (all manufactured products – not seasonally adjusted)	
	12 months	1 month	12 months	1 month
November 2009	4.2	0.2	2.9	0.3
December 2009	7.4	0.4	3.5	0.5
January 2010	7.7	1.4	3.8	0.4
February 2010	7.6	0.7	4.2	0.3
March 2010	10.3	3.8	5.0	0.9
April 2010	13.1	0.6	5.7	1.4

Source: National Statistics, Producer Prices Index, May 2010

The costs of the materials and fuels bought by UK manufacturers rose by 13.1% in the year to April 2010, up from 10.3% in the year to March. Input prices rose by 0.6% between March and April 2010 (compared to a fall of 1.8% in the same period in 2009), largely driven by a rise in the price of crude oil and to a lesser extent the higher costs of imported metals. These were in part offset by a seasonal fall in the cost of fuels (including the Climate Change Levy). When excluding those sectors that tend to see more volatile changes in prices (i.e. food, beverages, tobacco and petroleum), manufacturers saw prices rise by 6.4% in the year to April (up from 4.3% in March) but fall by 0.1% between March and April 2010. April's Manufacturing PMI reported that the sector saw the fastest increase in input prices since August 2008 (with rises seen across a wide range of products) and firms passing on part of the increases in higher output prices. This was also reflected in the Services PMI, largely as a result of higher fuel costs, however firms were largely unable to increase their output prices due to competitive pressures to win new work.

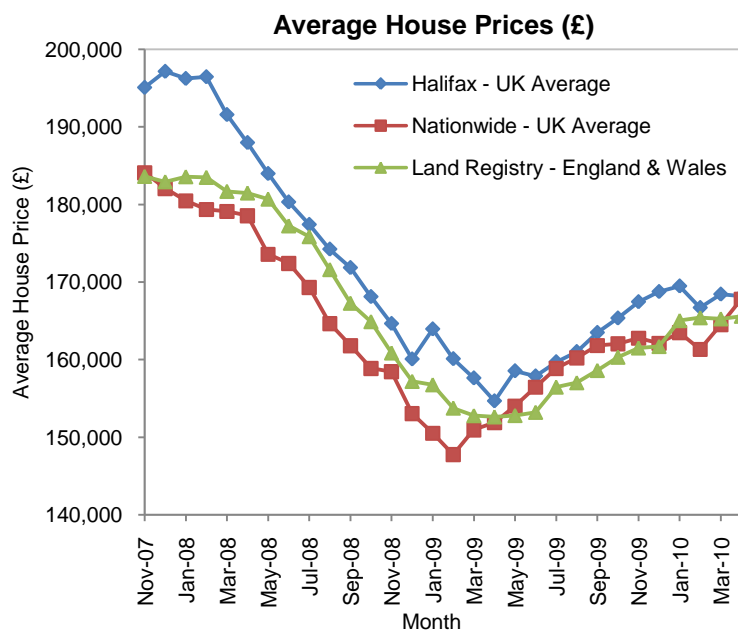
In the year to April 2010, manufacturers saw their output prices rise by 5.7% (up from 5.0% in March). Output prices rose by 1.4% between March and April 2010, largely as a result of rises in the costs of other manufactured products, petroleum products and tobacco and alcohol products. This was double the increase seen for the same period in 2009. When excluding more volatile sectors, output prices increased by 1.1% between March and April (compared with an increase of 0.5% a year earlier) and by 4.4% in the year to April 2010.

UK Overview – Housing, Property & Regeneration

The Land Registry reports that average house prices for England and Wales rose by 0.2% between March and April 2010 and by 8.5% in the year to April.

The Nationwide reports that average house prices rose by 1.0% between March and April 2010, whilst the Halifax reports that they fell by 0.1%. The Nationwide's less volatile quarter-on-quarter growth figures show that prices rose by 1.1% in the three months to April, slower than in the three months to March (1.5%).

In terms of annual growth the Halifax and Nationwide report growth of 6.6% and 10.5% respectively. But the Nationwide notes that the annual growth rate was enhanced by the fact that April was one of the weakest months during 2009 and that prices remain 10% lower than their peak in October 2007.



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

The pace of house price growth has eased in recent months following the fairly steep monthly increases seen in the second half of 2009. Improved prices have encouraged a rise in the number of people putting their property up for sale; helping in turn to start to address the low stock of properties for sale that had been pushing up prices. As a result many commentators expect house price growth in 2010 to remain fairly flat.

These issues are reflected in April's Housing Market Survey from the Royal Institute of Chartered Surveyors (RICS) It reports that new buyer enquiries have picked up but not at the rate at which new sales instructions have risen, despite the pace easing in April. The net balance of surveyors reporting rising new buyer enquiries rose from +1% in March to +8% in April (the highest balance since December 2009), whilst the net balance of new instructions fell from +21% in March to 11% in April.

RICS also reports that the net balance of newly agreed sales rose from -8% in March to +12% in April, the first positive balance during 2010. In terms of house prices, the net balance of surveyors reporting rising prices during the preceding three months rose from +9% in March to +17% in April. The outlook for future expectations also improved over the month, with the net balance of surveyors expecting a rise in sales activity rising from +6% to +25% and the balance expecting rising prices up from -2% to +7%.

The Bank of England reports that during Q1 2009 the number of mortgage approvals for house purchase fell by 18% compared with the previous quarter. Approvals fell during January and February, but rose in March. The Council of Mortgage Lenders (CML) reports that the number of loans approved for house purchase rose by 25% between February and March 2010 and by 45% in the year to March 2010 to total some 45,000 loans. They also note that March saw first-time buyer activity recovering faster than 'home-mover' activity, with the number of mortgage approvals for the former up 27% between February and March and by 49% in the year to March, compared with 24% and 49% for home-movers.

The CML notes that the level of required deposits continues to limit lending activity for house purchases. However for those people able to provide this deposit, low interest rates mean that mortgage interest payments currently account for a smaller proportion of income than in recent years. In March home-movers spent just 9.7% of their income on mortgage interest payments, whilst first-time buyers spent 13.4%, compared with 11.4% and 15.1% a year earlier.

UK Overview – Confidence & Investment

Consumers

The Nationwide Consumer Confidence Index (NCCI) rose by one point during April to 74, 23 points higher than a year earlier. This improvement was driven by three point rise in the Index's Present Situation sub-index. In contrast the future expectations and spending sub-indices fell by two and one points respectively between March and April 2010. This was the second successive month in which the future expectations index has fallen and it now sits 14 points lower than the record high in February 2010. The Nationwide notes that the relatively stability of the Index reflected consumer caution pending the general election and any economic measures the new government might put in place, as well as continued uncertainties around public funding cuts and rising unemployment .

The Present Situation index found that 62% of consumers believe that the current economic situation is bad, down two percentage points from March. However this did not result in an increase in the proportion of people thinking the current economic situation is good – this fell from 8% in March to 7% in April. Instead the increase was seen in the proportion of people thinking the situation is neither good nor bad. However confidence in employment conditions improved over the month, with the proportion of consumers believing there are currently many or some jobs available rising from 22% in March to 28% in April - the highest share seen since November 2008. The proportion of consumers who believe now is a good time to make a major purchase (e.g. house, car) fell between March and April, dropping two percentage points to 30%. However the share who felt it was a bad time to make such a purchase also dropped (from 36% to 33% over the month), with the greatest increase in people thinking it was neither a good nor bad time to buy. The proportion who thought it is a good time to buy household goods (e.g. white or brown goods) rose one percentage point in April to 36%, whilst the proportion thinking it is a bad time to buy these fell from 13% in March to 11% in April.

In terms of future outlook, the Expectations index found that the proportion of consumers believing that the economic situation will have improved in six months' time fell from 33% in March to 29% in April. However the proportion who felt that the situation will be worse dropped from 16% to 15% over the month, with the proportion thinking conditions will be the same rising by four percentage points. Again expectations for employment improved over the month, with the share of consumers thinking there will be many or some jobs available in six months' time rising by three percentage points to 28% and the proportion thinking there will be not many or few jobs available dropping from 48% to 45%.

Business

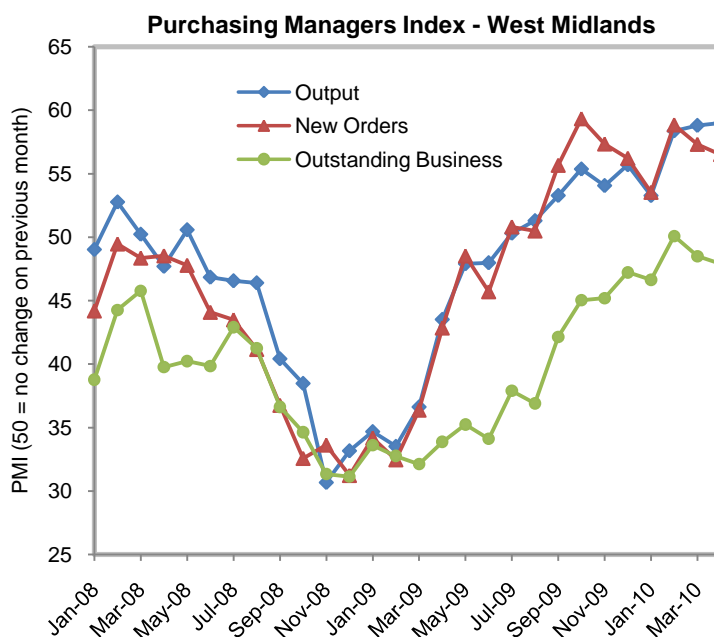
Provisional estimates suggest that business investment in Q1 2010 was 6% higher than in Q4 2009 but still 11% lower than in Q1 2009. It is estimated that business investment within the construction sector rose by 27.9% between Q4 2009 and Q1 2010, and by 8.9% compared with Q1 2009. Investment in the service sector rose by 8.2% over the quarter but fell by 13.3% over the year. Within these figures distribution services saw a rise of 3.2% over the quarter whilst 'other services' increased by 9.3%, mainly driven by transport and communications (+21.3%). Business investment by private sector manufacturers dropped by 0.1% between Q4 2009 and Q1 2010 (largely due to chemicals and man-made fibres falling by 15.6%), and by 29.3% compared with Q1 2009.

The Bank of England summary of business conditions notes that businesses' investment intentions appear to have stabilized in recent months. Whilst overall businesses remain cautious about increasing their investment there are signs that some businesses are looking to raise their levels of investment over the next year. In particular businesses attribute their reluctance to an unclear outlook for future demand and the tightness of credit conditions. The Bank notes that credit conditions continue to see marginal improvements, but remain tight compared with longer-term trends, in particular for smaller companies and those in the property and construction sectors. Where businesses are investing this was found to be mainly to resume delayed maintenance work or to undertake projects that would reduce costs or yield a fast return. Agents also found some reports of firms looking to increase their staffing levels, including some firms restarting their trainee and graduate recruitment schemes to help manage increases in business activity. There were also some signs of increased pay awards, in particular to reward performance, recognise employee loyalty and boost staff morale.

West Midlands Overview – Output / Business Activity

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

Businesses in the West Midlands saw a further rise in business activity during April with the rate of improvement the fastest since September 2007. This was in contrast to the majority of English regions, which saw a slowing of growth between March and April. Growth was stronger than the UK average and the second fastest after the North East. Whilst improvements in business activity remained heavily focused in manufacturing, the service sector also saw a slight growth in activity levels between March and April. Nevertheless the West Midlands continues to have seen the sharpest fall in output of the English regions over the last 12 months.

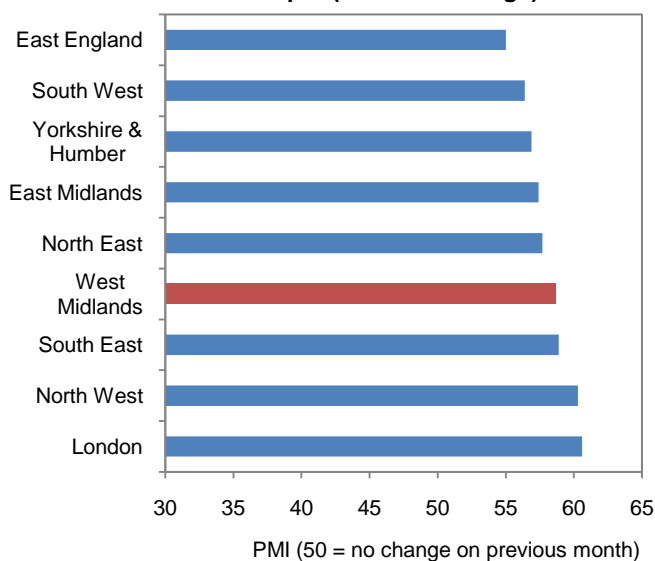


Source: PMI West Midlands, Markit Economics / AWM, May 2010

April was also the tenth month in which businesses in the region have seen rising levels of new orders. Although, like many other regions, growth in new orders in April was slower than in February and March, it remained significant and above the UK average. As with business activity growth in new orders was stronger amongst manufacturing businesses than within the service sector, with businesses commenting that new orders were being supported by both existing and new customers.

Businesses in the West Midlands also reported a fall in their levels of outstanding business in April. This was the second consecutive fall in backlogs with the pace of contraction the steepest since January 2010 and faster than the UK average. There were however differences between sectors, with manufacturing businesses reporting a rise in outstanding orders whilst service sector firms had seen a fall in backlogs.

PMI Output (3-month average)



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

Purchasing Managers Index (PMI)

Month	Seasonally Adjusted Index: 50 = no change on previous month					
	Output / Business Activity		New Orders		Business Outstanding	
	West Midlands	UK	West Midlands	UK	West Midlands	UK
December 2009	55.7	57.2	56.2	57.2	47.2	48.9
January 2010	53.3	55.6	53.5	54.9	46.6	48.8
February 2010	58.4	58.7	58.8	58.1	50.1	49.4
March 2010	58.8	57.7	57.3	57.6	48.5	48.2
April 2010	59.0	56.4	56.5	55.8	47.9	49.3

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

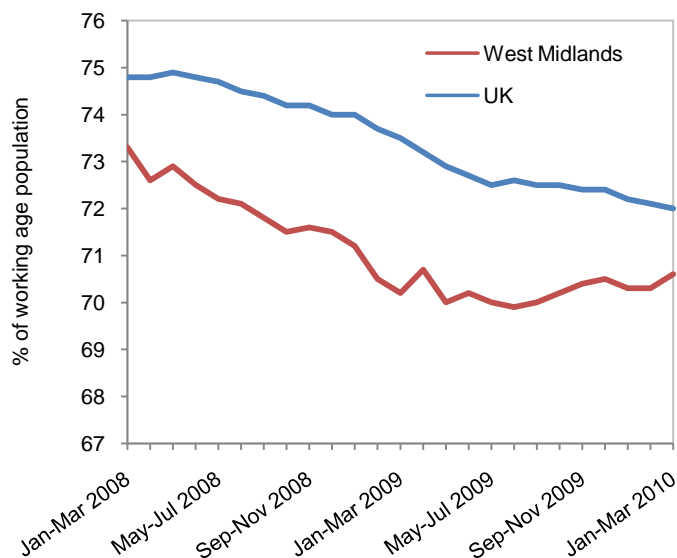
¹ The Index tracks output, new orders, employment and prices. An Index reading of 50.0 indicates no change on the previous month; readings above 50.0 signal an increase in activity and readings below 50.0 signal a decrease in activity on the previous month.

West Midlands Overview – Labour Market

During Q1 2010 the number of people in employment in the West Midlands fell by 4,000 to 2.43 million. However this total was 9,000 more than a year earlier. 70.6% of the region's working age population was employed during Q1, up 0.1 percentage points over the quarter and 0.4 points over the year. The working age employment rate for men fell by 1.6 points in the year to March 2010 to 72.8%, whilst the rate for women rose by 2.6 points to 68.1%

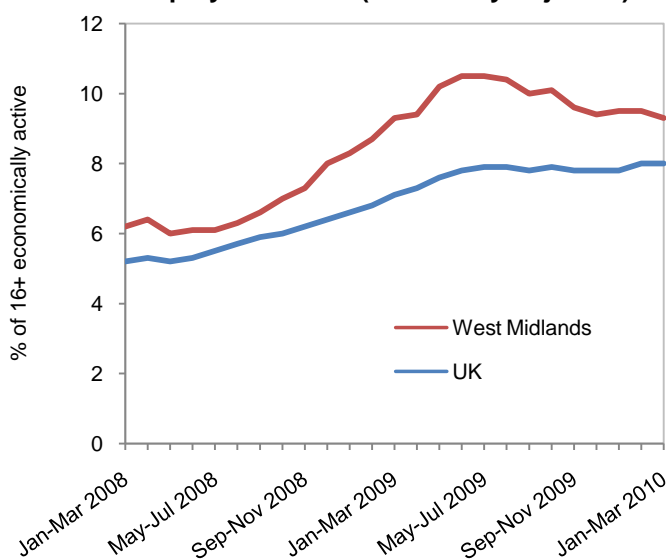
The number of economically active people in the region fell by 8,000 during Q1 2010 to 2.68 million. However this was still 10,000 more than a year earlier. The number of economically inactive people of working age fell by 1,000 over the quarter to 716,000. This total was 12,000 less than the same period in 2009. 21.9% of people of working age in the region were economically inactive in the three months to March 2010. This rate is unchanged on the previous quarter and 0.4 points less than during Q1 2009.

Employment Rate (seasonally adjusted)



Source: ONS, Labour Market Statistics, May 2010

Unemployment Rate (seasonally adjusted)



Source: ONS, Labour Market Statistics, May 2010

There were 249,000 unemployed people in the region during Q1 2010, 4,000 less than in Q4 2009 but the same number as in Q1 2009. The region's unemployment rate stood at 9.3% during Q1 2010. This fell by 0.1 percentage points over the quarter and was unchanged on the rate for the same period in 2009. Beneath this headline rate, the unemployment rate was 11.4% for men and 6.8% for women. The region's overall unemployment rate remains significantly above the UK average (8.0%), but is exceeded by Yorkshire and the Humber (9.7%) and the North East (9.6%).

There were 166,600 people claiming Jobseekers Allowance in the West Midlands in April 2010. This was 3,900 fewer than in March 2010 and 5,800 less than in April 2009. The region's JSA claimant rate stood at 6.0% in April, down 0.1 percentage points over the month and down by 0.2 points over the year.

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*	Jan – Mar 10	2,428	-4	+9	70.6	+0.1	+0.4
Unemployment**	Jan – Mar 10	249	-4	0	9.3	-0.1	0.0
Economically active*	Jan – Mar 10	2,677	-8	+10	78.1	0.0	+0.4
Economically inactive***	Jan – Mar 10	716	-1	-12	21.9	0.0	-0.4
Claimant count ⁺	April 10	166.6	-3.9	-5.8	6.0	-0.1	-0.2

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

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

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

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

Source: ONS, Labour Market Statistics, May 2010

West Midlands Overview – Labour Market

The West Midlands PMI reported that businesses in the region saw a third month of rising staffing levels during April. The pace of growth improved on that seen in March to the steepest rate seen since August 2007 and was slightly higher than the UK average. This continued improvement in employment conditions reflects the national picture, with April being the first month since August 2007 in which all of the English regions have seen growth in businesses' staffing levels. However over the last 12 months the West Midlands continues to have seen the sharpest job-shedding of the UK regions.

As in previous months, growth in employment levels during April was focused in the manufacturing sector, with the region's service sector reporting a fall in staff levels. Where companies reported a rise in staff numbers they largely attributed this to higher levels of business activity, whilst those reporting a fall in staff levels attributed this to company restructuring and not replacing staff that had left.

Jobcentre Plus reports that there were 2,565 notified redundancies in the West Midlands in April 2010, up from 1,999 in March 2010, but significantly less than the 4,537 seen in April 2009. Just over a third (34%; 869) of April's notified redundancies were in Birmingham and Solihull, whilst a further 29% (756) were in the Black Country. A further 13% (455) were in Coventry and Warwickshire; 13% (323) were in the Marches sub-region (Herefordshire, Shropshire, Telford & Wrekin and Worcestershire); and 6% (162) were in Staffordshire and Stoke. Almost a third (30%; 768) of April's notified redundancies came from the public sector (public administration, education and health).

Sub-Regional Picture

Non-seasonally adjusted figures show that the West Midlands had 172,400 JSA claimants in April 2010. This was 5,646 fewer than in March 2010 and 5,708 less than in April 2009. The regional claimant proportion stood at 5.2% in April, down 0.2 percentage points over both the month and the year.

Within the region, in April 2010:

- the highest number of claimants were in Birmingham (49,079), followed by Staffordshire (17,394). Amongst the region's lower-tier districts the highest levels were in Nuneaton and Bedworth (3,655) and Newcastle-under-Lyme (2,784).
- the lowest claimant level of the region's upper-tier and unitary districts was in Herefordshire (2,832), followed by Telford and Wrekin (4,622). Of lower-tier districts, the lowest levels were in Malvern Hills (1,032) and North Warwickshire (1,328).
- the highest claimant proportion in the region was in Wolverhampton (8.0%), followed by Birmingham (7.9%), whilst the lowest were in Stratford-on-Avon (2.1%) and Staffordshire Moorlands (2.3%).

In terms of change between March and April 2010:

- all of the region's districts saw a fall in their claimant levels and claimant proportions during the month.
- the largest absolute fall in claimant levels was seen in Birmingham (-1,390), followed by Staffordshire (-702). Of lower-tier districts the greatest reduction in claimants was seen in Wyre Forest (-175) and Wychavon (-163).
- the smallest reductions over the month were seen in Stafford (-23) and East Staffordshire (-40). Of upper-tier and unitary authorities, the smallest falls were in Herefordshire (-114) and Solihull (-156).

West Midlands Overview – Labour Market

- the largest fall in claimant proportions over the month was seen in Tamworth (-0.4 percentage points).

In terms of change between April 2009 and April 2010:

- Just four of the region's districts have seen a rise in claimant levels over the year to April 2010: Birmingham (+997), Wolverhampton (+532), Sandwell (+529) and Dudley (+9).
- The greatest fall in claimant levels over the year have been in Staffordshire (-3,207) and Warwickshire (-1,279). Of lower-tier authorities, the largest falls have been in Cannock Chase (-656) and Newcastle-under-Lyme (-533).
- In relative terms Wolverhampton has seen the largest increase in its claimant level over the last year, rising by 5%, followed by Sandwell which has risen by 4%. In contrast, from much smaller bases, Staffordshire Moorlands and Lichfield have seen a 22% and 20% fall respectively in their claimant levels.
- In terms of claimant proportions, Wolverhampton and Sandwell have seen the largest increases over the last year, both increasing by 0.3 percentage points. Cannock Chase has seen the largest fall in its claimant proportion, dropping 1.1 percentage points, followed by Redditch and Lichfield districts which have both seen a 0.8 percentage point fall in their claimant proportions.

West Midlands Overview – Labour Market

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

	April 2010		Change on Month		Change on Year		
	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Claimant Level	Claimant Proportion	Percentage Change in Claimant Level
Regional	172,400	5.2	-5,646	-0.2	-5,708	-0.2	-3%
Herefordshire	2,832	2.7	-114	-0.2	-206	-0.2	-7%
Stoke-on-Trent	8,370	5.6	-321	-0.2	-1,058	-0.7	-11%
Telford and Wrekin	4,622	4.6	-169	-0.2	-317	-0.3	-6%
Shropshire	4,944	2.9	-227	-0.1	-247	-0.1	-5%
Staffordshire	17,394	3.4	-702	-0.2	-3,207	-0.7	-16%
Cannock Chase	2,769	4.7	-135	-0.2	-656	-1.1	-19%
East Staffordshire	2,402	3.6	-40	-0.1	-472	-0.7	-16%
Lichfield	1,712	2.9	-74	-0.2	-440	-0.8	-20%
Newcastle-under-Lyme	2,784	3.6	-80	-0.1	-533	-0.7	-16%
South Staffordshire	2,076	3.3	-61	-0.1	-140	-0.2	-6%
Stafford	2,131	2.8	-23	-0.1	-321	-0.4	-13%
Staffordshire Moorlands	1,329	2.3	-130	-0.3	-377	-0.7	-22%
Tamworth	2,191	4.5	-159	-0.4	-268	-0.6	-11%
Warwickshire	10,881	3.4	-446	-0.1	-1,279	-0.4	-11%
North Warwickshire	1,328	3.5	-95	-0.2	-223	-0.5	-14%
Nuneaton and Bedworth	3,655	4.9	-68	-0.1	-186	-0.2	-5%
Rugby	2,067	3.8	-62	-0.1	-223	-0.4	-10%
Stratford-on-Avon	1,440	2.1	-78	-0.1	-348	-0.5	-19%
Warwick	2,391	2.8	-143	-0.1	-299	-0.3	-11%
Birmingham	49,079	7.7	-1,390	-0.2	+997	+0.1	+2%
Coventry	11,012	5.6	-225	-0.1	-4	0.0	0%
Dudley	10,374	5.6	-355	-0.2	+9	0.0	0%
Sandwell	13,136	7.5	-350	-0.2	+529	+0.3	+4%
Solihull	5,141	4.2	-156	-0.1	-200	-0.2	-4%
Walsall	10,673	7.1	-242	-0.2	-66	0.0	-1%
Wolverhampton	11,532	8.0	-276	-0.2	+532	+0.3	+5%
Worcestershire	12,410	3.7	-673	-0.2	-1,191	-0.4	-9%
Bromsgrove	1,955	3.5	-120	-0.3	-109	-0.2	-5%
Malvern Hills	1,032	2.5	-54	-0.1	-22	0.0	-2%
Redditch	2,447	4.8	-67	-0.1	-402	-0.8	-14%
Worcester	2,545	4.3	-94	-0.1	-116	-0.2	-4%
Wychavon	1,983	2.9	-163	-0.2	-380	-0.5	-16%
Wyre Forest	2,448	4.2	-175	-0.3	-162	-0.2	-6%

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, May 2010

West Midlands Overview – Labour Market

Regional Employment Monitoring

Manufacturing

- **Toyota** suspended car production at its Derby plant for 12 days as a result of a drop in sales.
- **ERA Products** is to shed 29 of the 150 jobs at its locks factory in Willenhall.
- Willenhall-based manufacturer, **Alloy Polishing & Plating** has gone into administration with the loss of 17 jobs.
- Stoke-based **Twyford Bathrooms** is considering plans to close its factory in Alsager next year, with the loss of up to 150 production jobs, whilst retaining a further 183 commercial staff.
- **Ascot Minworth**, the Birmingham-based manufacturer of car badges has gone into administration, with the loss of 41 staff.
- **JCB** plans to recruit up to 200 staff and award all 2,500 shop-floor workers with a pay rise this year (the first since January 2008).
- Exercise machine business **Johnson Health Tech UK** is moving from Trentham Lakes to purpose-built premises on Festival Park. The move is expected to allow the company to grow from 63 employees to 90 by the end of 2011.
- **John Pointon & Sons'** animal rendering plant is expanding its factory in Cheddleton creating 90 jobs.
- Stoke-based ceramics firm, **Emma Bridgewater**, is expanding with the creation of 30 new jobs following recent sales growth.
- Following a rise in demand, **Land Rover** is creating 275 new agency jobs at its factory in Solihull,
- **Lawrence Recycling** has secured a £1m funding package to expand its materials recycling plant in Kidderminster, which could create up to 70 new jobs.
- **Cobra Biomanufacturing**, based at Keele Science Park, is planning to expand.

Services

- **Roy S Ely Transport** is closing its Birmingham-based haulage business with the loss of ten jobs.
- Warwick-based company **Solid Solutions** is expanding its network of software support offices with new sites across the country.
- Birmingham-based company, **Tradeteam** has been chosen as the main logistics partner for InBev UK breweries, with the transfer of 60 InBev staff.

Retail & Leisure

- **Birmingham International Airport** is to shed 46 security jobs, following a recent fall in passenger numbers.
- **The Wedgwood Museum** in Stoke has gone into administration.
- **Tesco** has announced it will be creating 1,000 new jobs across the Midlands, including 180 at a new store in Tenbury Wells.
- **TK Maxx** is recruiting 100 people for its distribution centre in Chesterton, Stoke.
- There will be a new **Boots** store in Evesham in June, creating around 20 jobs.
- Car dealer **Arnold Clark** is recruiting 25 staff at its outlets in Newcastle and Stafford.

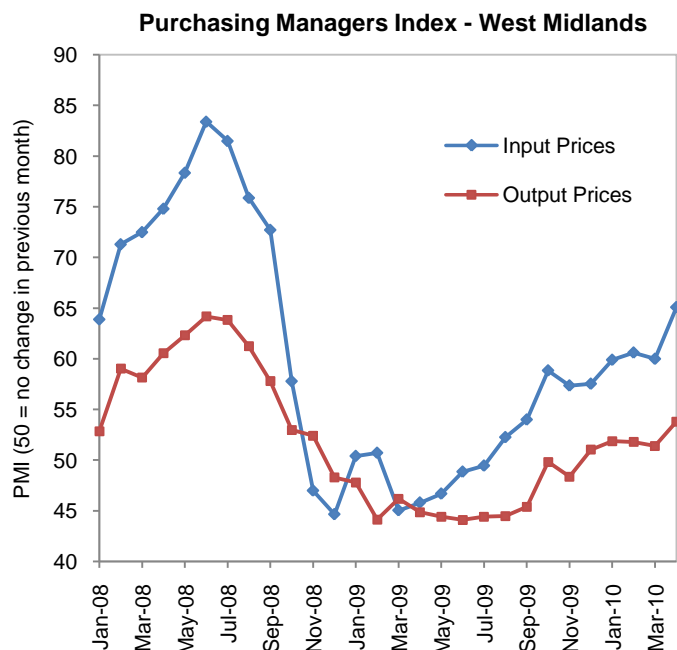
Public sector

- More than 100 jobs are reported to be at risk at **Keele University** as it draws up cost-cutting plans.
- **North Warwickshire and Hinkley College** is shedding 83 posts, with further posts potentially at risk at **Warwickshire College**.
- **City College Coventry** has announced the loss of 50 jobs.
- Government spending cuts are to result in the loss of 230 jobs at **Becta** (British Education Communications Technology Agency), the Warwick-based technology agency for schools.
- **Birmingham City Council** plans to build a shared services centre in Sparkbrook to provide council and healthcare customer advice by early 2012.

West Midlands Overview – Inflation

The West Midlands PMI reports that businesses in the region saw a sharp rise in input prices during April 2010. Prices rose at the fastest rate since September 2008 and at a far steeper pace than the UK average. Businesses commented that input prices were in particular being driven up by the costs of oil, plastics, metals, paper and other raw materials. As a result manufacturing businesses were experiencing sharper increases in prices than those in the service sector.

April also saw a continued rise in businesses' output prices, albeit at a much slower rate than seen for input prices. This continues to suggest pressures on companies' profit margins, with some reporting that competition for new work is forcing them to absorb higher input prices themselves. Those firms reporting a rise in their output prices largely attributed this to having to pass their higher input costs on to clients. Again there were significant differences between sectors, with rising output prices concentrated amongst manufacturing businesses, whilst service sector firms reported a further fall in output prices.



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

West Midlands Overview – Housing, Property & Regeneration

April's RICs Housing Market Survey reports that a net balance of 6% of surveyors reported rising prices during the three months to April 2010, up from a balance of -8% for the three months to March 2010. The Land Registry reports that average house prices for the West Midlands rose by just 0.1% between March and April 2010, with prices having risen by 5.5% in the year to April. Within the region the largest rises over the month were seen in Solihull (+2.3%) and Walsall (2.1%), whilst the largest fall in average prices were seen in Stoke-on-Trent (-1.6%). With the exception of Stoke-on-Trent, all parts of the region have seen a rise in average house prices over the last year. Stoke has seen a fall of 1.6%.

Average House Price Changes (April 2010)

	Monthly Change (%)	Annual Change (%)	Average Price (£)
West Midlands	+0.1	+5.5	£136,148
Herefordshire	+0.6	+7.2	£178,895
Stoke-on-Trent	-1.6	-1.6	£77,569
Shropshire	-0.3	+4.0	£163,226
Staffordshire	+0.6	+4.0	£136,910
Warwickshire	+1.0	+7.8	£163,954
Birmingham	-0.4	+2.7	£119,274
Coventry	-0.4	+8.1	£111,957
Dudley	-0.1	+5.1	£128,873
Sandwell	+0.1	+5.4	£105,297
Solihull	+2.3	+9.2	£198,090
Walsall	+2.1	+6.4	£120,340
Wolverhampton	+0.3	+5.8	£111,465
Worcestershire	+0.6	+6.1	£167,943

¹ District-level monthly and annual percentage changes are rolling four-monthly averages of the price changes over one month and 12 months respectively. Regional figures are for single month. All price changes are seasonally adjusted.

Source: Land Registry House Price Index, May 2010.

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

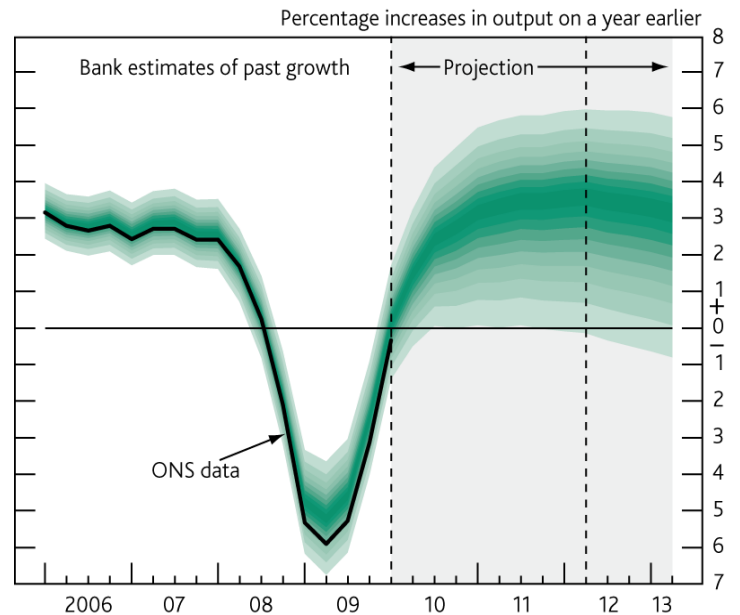
The Bank of England's May 2010 Inflation Report reports that the UK economy continues to move out of recession. However, whilst output levels continue to improve, for many advanced economies they remain below pre-recession levels. The pace of recovery also differs significantly, with the Euro area recovering slower than the US and most of Asia – a key issue for demand for UK exports.

Looking forward, the Bank notes that GDP is likely to continue to grow and gather pace over the next year but is unlikely to reach pre-recession levels for quite some time.

Growth will be supported by the stimulus measures still in place, expected growth in global demand and Sterling's weakness. However improvements will be restrained by the need for greater fiscal constraint; the need for financial institutions to redress their balance sheets; and businesses choosing to save rather than invest during a period of continued uncertainty.

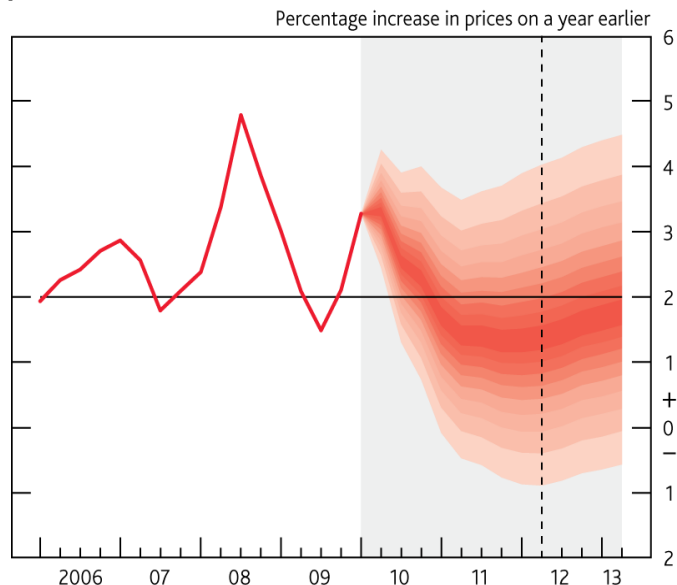
The Bank highlights that there will continue to be spare capacity within the economy for some time to come. It also notes that recovery could be further slowed by concerns about the fiscal position of some countries which risk further unsettling financial markets.

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



Source: Bank of England, Inflation Report May 2010

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



Source: Bank of England, Inflation Report May 2010

Inflation has remained above the Government's 2% target since the turn of the year, driven by a series of temporary conditions: the return of the standard rate of VAT to 17.5%; rising oil prices; and the depreciation of Sterling.

Going forward, the Bank notes that inflation is likely to remain above target for the rest of 2010. However continued spare capacity and the easing of the temporary upward pressures set out above are likely to push inflation back down and below target for the rest of the forecast period (into 2013).

However the pace at which inflation will fall remains uncertain since this will depend heavily on the strength of recovery in demand and hence the extent to which spare capacity will push inflation down, and the extent to which businesses will see prices rise as a result of Sterling's depreciation and rising commodity prices due to growing global demand.