

West Midlands Monthly Monitor

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October 2019



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Overview

Welcome to the October edition of the West Midlands Economic Monitor. The purpose of this document is to provide an overview of regional data which has been released in the previous month, as well as highlight significant announcements impacting on the West Midlands. Please find below an overview of key developments. Please find below a summary of developments.



Headline West Midlands business activity—accounting for services and manufacturing—is in its second month of contraction, falling from 47.5 in August to 47.3.



Jaguar Land Rover has announced plans to close its plants in Halewood, Castle Bromwich and Solihull for up to eight days in November, ahead of UK withdrawal from the EU.



Crime has increased in the region by 10% compared to the year ending June 2018, while nationally there has been a 6% increase.



Only two in five businesses in the region have reported to have undertaken a Brexit risk assessment to ascertain the impacts of leaving the EU with a withdrawal agreement.



The WMCA have signed a contract to order 21 new battery-operated trams to operate on the new Edgbaston line. They will be the first battery-operated trams in the country.



New survey data shows that 58.3% of adults in the WMCA area are physically active, increasing by 1% since May 2017/18. This lags behind the overall national figure of 63.2% adults being physically active.

Infrastructure and Transport

[Plans](#) by Transport for West Midlands were recently submitted to Birmingham City Council for the development of the new Camp Hill Rail line in Birmingham. The proposals would reopen the disused Camp Hill Line, and see the construction of three new stations in Moseley, Kings Heath, and Hazelwell.

Plans for two stations at Kings Heath and Hazelwell have been submitted to the council. They include platforms with a canopy, stairs, lifts, forecourts and covered cycle storage to ensure rail use supports cycling across the city. The third station—planned at Moseley - is undergoing further design work, with calls for it to enshrine the historical and cultural links of the area, with potential Tolkien-themed artwork.

This month transport bosses have [signed a £85.5m contract](#) for 21 new Trams to operate on the new line to Edgbaston. The extension of the metro line from New Street to Edgbaston, with stops at Victoria Square, Centenary Square, and Broad Street, is currently under construction.

The 21 new trams will operate on the innovative line which does not require an over-head power-cable, and instead will be battery powered.

Tests were recently conducted on the line, and they were the first time in the country that a tram had used battery power to run on a modern line without overhead –wires.

In other regional transport news, [National Express has announced](#) that it is slashing fares for buses that operate within the low-fare zones. The zones which cover parts of Sandwell, Dudley, and Walsall, will be cut from £3.50 to £3. Child tickets will also drop to £1.50.

The cost reduction covers day tickets, moving savings on to users. The travel company's first low-fare zone -0 launched in Sandwell - has resulted in 4,000 extra bus journeys each day within the local authority area.

Such fare-busting initiatives, which are delivered through the West Midlands Bus Alliance, are encouraging greater use of bus services across the region. The increase in passenger numbers is in contrast to the national trend, which is seeing passenger numbers fall.

Whilst cheaper fares are a contributory factor to rising passenger numbers, other initiatives such as mobile payments, contactless, the rise of Swift travel card, as well as live timetable apps, are all reasons which are enhancing passenger interaction with bus services.



Plans for Kings Heath station

Skills, Employment and People

[New survey data](#) has revealed that the number of adults in the WMCA area that are physically active has increased. Within the WMCA (3 LEP), 58.3% (1,933,300) of adults were classed as physically active in May 2018/19/. Compared to figures from last year, (May 2017/18), there was an increase of 1percentage point (pp) since May 2017/18.

Nationally there were 63.2% of people classed as active which increased by 0.9pp since May 2017/18, meaning the West Midlands / WMCA area is significantly underperforms the national rate of adults that are physically active.

Broken down, active levels vary within the WMCA combined authority area, from 71.3% (84,100 people) in Warwick to 51.3% (129,800 people) in Sandwell. While the highest percentage point change was seen in Stratford-on-Avon from 59.8% (62,500 people) to 66.7% (71,000) in May 2018/19 which equates to a 6.9pp increase. There were 7 areas within the WMCA that experience a decrease; these include Wolverhampton with -4.1pp to -0.5pp in Bromsgrove.

Within the WMCA area, 29.5% of adults (978,700) were inactive, which increased by 0.1pp since May 2017/18. Nationally there was an average of 24.8% of adults classed as inactive, decreasing by 0.4pp. In the WM 7 Met. area, 31.2% (714,300) of adults were inactive, this is an increase of 0.9pp since May 2017/18.

The data reveals the extent of the challenge to local authorities to get residents more engaged with physical activity so as to improve their health and wellbeing. With exercising having additional benefits for mental wellbeing, as well as physical health, there is a greater need to ensure the number of adults that are physically active continue to rise.

The data comes out at a similar time to a [survey by TalkOut](#), which reveals that Birmingham businesses are the least supportive in the UK toward workplace mental health, with 60% of employees self-reporting they think their bosses aren't supportive to their mental health needs.

65% of employees said they had experienced poor mental health which affected their performance at work

Additionally, 75% of workers reported that if they told their boss they were struggling from poor mental health, they felt it would negatively impact the security of their employment.

62% of Birmingham workers also said they had informed their boss they had a physical ailment to take sick leave when they were, in fact, experiencing poor mental health. This reveals the depth of shame and stigma surrounding mental health, and the urgent need to tackle workplace mental health.

This month, [ONS released data](#) about recorded crime within the region. The data revealed that there was a total of 262,558 reported cases of crime (excluding fraud) within the WM 7 Met. area in the year ending June 2019. The region had a rate of 90.0 per 1,000 population compared to 88.4 per 1,000 nationally in the year ending June 2019.

The WM 7 Met. area has increased by 10% compared to the year ending June 2018, while nationally there has been a 6% increase. Selected serious offenses, including a knife crime, accounts for 7% of the WM 7 Met. area total, compared to 6% nationally.

Whilst the data shows the region has experienced a significantly [higher rise in crime](#) compared to the national performance, the region has a lower rate per 1,000 population in 6 categories, including violence against a person, (27.6 compared to 28.3 nationally) and public order offenses at 5.3 compared to 7.3 nationally.

There were 3,560 serious offenses in the region in the year ending June 2019, accounting for 7%, compared to 6% nationally. Of that number, the most common offense was offenses including a knife in robbery, standing at 2,003 incidents. This is accounts for 22% of total robberies, compared to 23% nationally.

Business Sentiment

[Jaguar Land Rover will close its UK plants for a week](#) in November ahead of the upcoming Brexit deadline to minimise disruption. Plants at Halewood, Castle Bromwich, and Solihull will close for up to eight days, as will its engine plant in Wolverhampton.

This will be the second closure for the JLR plants, with closures occurring earlier in the year, in April ahead of the previous Brexit deadline in March. JLR is currently in the process of returning to sustainable profit levels, which have since avoided many automobile companies, following the move by international governments from diesel vehicles to more energy-efficient vehicles. JLR is currently implementing its plans to cut £2.5bn and shed 4,500 jobs as part of its process to mitigate the effects of a move from diesel to electric vehicles.

There is a concern that a 'no deal' Brexit could exacerbate risks for the industry. SMMT (Society of Motor Manufacturers and Traders), the UK's automobile industry lobby group, has already spent £330m preparing for the UK's exit from the EU.

In the West Midlands, there are reports that businesses are beginning to prepare for the UK's withdrawal from the EU. [Survey data compiled](#) by Midlands' chamber of commerce, have revealed that a higher proportion of businesses who are exposed to Brexit related change in key areas, such as employing EU nationals, exporting goods to the EU, had taken crucial steps to prepare for Brexit, when compared to the average of other companies .

There remains concern surrounding the proactive measures businesses are taking to support EU nationals that they employ. Whilst 39% of businesses report employing EU nationals only 28% of those have undertaken any proactive communication and engagement with their EU workforce to prepare, and indeed, support them as the UK nears the legal withdrawal date.

Similarly, only two in five businesses have reported having undertaken a Brexit risk assessment to ascertain the impacts of leaving the EU with a withdrawal agreement or without one would have their organisation.

Comparatively, manufacturing firms are proportionally undertaking more proactive measures to assess the risk or lack thereof, to their business ahead of the 31st October withdrawal date. 79% of those manufacturing firms export goods to the EU compared to only 20% for those services that participated in the survey.

On average, those firms that export goods to the EU scored significantly higher on the Brexit Readiness Index for trade than the average for all businesses: scoring 3.3 compared to an average of 2.7. This suggests that West Midlands manufacturing firms, an industry which the region excels in, feels more prepared for Brexit than the average of other businesses and sectors.

Toward the end of September, representatives from Ford, Toyota, and Aston Martin joined the SMMT, Make UK, the British Ceramics Confederation, and the European Union Relationship and Industrial Strategy (EURIS) met with the Chancellor of the Duchy, who is in charge of Brexit preparedness within the Cabinet Office. During the meeting, they allayed their concerns, strategies for preparedness for Brexit.

Based on the Brexit Readiness Index, businesses feel most prepared for the people and skills and trade-related aspects of Brexit, with businesses support and procurement aspects achieving the least confidence from respondents.



Business Environment



[PMI survey data](#) has shown that the region remains in contraction for the second month in a row. The output of goods and services across the West Midlands also remains in contraction for the fourth month in a row, revealing that growth in the region has potentially slowed.

The headline West Midlands Business Activity Index – a seasonally adjusted index that measures changes in the combined output of the region’s manufacturing and service sectors – sunk in September, from August's 47.5 to 47.3 in September. This means it is close to the ten-year low seen in June.

Any reading below 50 signals contraction in growth. If the data is broken down by sector, the survey showed that the main area of weakness persisted to be manufacturing. The output of goods and services additionally slumped across the UK as a whole (49.3) in September, nevertheless, this is only a modest slip in readings.

Alongside this, the volume of businesses reporting outstanding orders has fallen for the fourteenth month in a row. Whilst the rate of outstanding orders eased in August, it remains significantly marked.

Contrastingly, firms in the West Midlands have signaled increased optimism compared to the UK as a whole. The Future Business Activity Index is significantly below its average of 70.7 in September, but steadily increasing from 61.9, showing increased optimism.

Firms in the region have reported an increase in average costs, during the month of September. The rate of inflation was at a four-month high, exacerbating risks to businesses with additional operating and overhead costs.

It is important to note that whilst firms have reported an increase, the WM inflation rate is the lowest among the 12 regions monitored by the NatWest PMI survey. Of those businesses reporting an increase in costs, the firms attribute it to pay pressures and the weak sterling exchange rate.

West Midlands Business Activity Index



Last six months WM v UK



Redevelopment and Investment

The sky may not be the limit for Birmingham after all. Recent proposals for a 51 –storey tower on Broad Street—covered in last month’s WM Economic Monitor—[has hit a stumbling block](#), - for being too tall.

The 667-unit scheme is to undergo scrutiny from bosses at Birmingham Airport. Birmingham Airport has initially flagged their concern that the height of the tower plus the crane, could harm flight paths. Any objection will go in with the planning application, which is due before the council this month.

[Plans were announced this month](#) regarding the much anticipated Merican Studios—a production studio complex, to be constructed in a ‘central Birmingham’ location.

Manchester and Birmingham based developer, Nikal, announced that it is leading on the development, intending to bring the 1million square foot to life. It has been reported that the BBC—Netflix venture, championed by Peaky Blinders creator Stephen Knight, will comprise six soundstages, and pre– and post-production facilities.

After the set-back from Channel 4’s decision to locate its HQ in Leeds and not Birmingham, the news brings about a much-needed confidence boost to the region’s ambition to excel in the creative and media sector. Such a production complex will help ensure that.

This month the flagship Midlands automotive company JLR has urged Government to support the creation of a world-class hub for the next generation of automotive technologies, here in the Midlands.

The company opened [a £500 million design and engineering centre near Coventry](#) in September. Sir Ralf Septh. CEO of JLR, said the centre would be the base for the next generation of technology and the Midlands would be at the forefront of that drive. The site covers an area the size of Wembley stadium with capacity for 13,000 people.

There is a significant opportunity for an agglomeration effect within the Midlands, or at the very least, for the Midlands to drive forward international change within the industry in emerging technologies for the automotive industry.

The Advanced Propulsion Centre at Warwick University and the new Battery Industrialisation Centre are further opportunities to create an embedded automotive sector that is global in its reach and defining in its output. It should, on this case alone, receive government backing and funding.



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