



West Midlands

Quarterly Economic Snapshot Q1 2018



Paul Faulkner

Chief Executive
Greater Birmingham
Chambers of Commerce

Comment on Recruitment Trends

The data from the first region wide Quarterly Economic Snapshot offers an interesting compliment to the official employment statistics for the West Midlands. Based on just under a thousand responses from businesses across the region, half of the firms surveyed faced recruitment difficulties and almost two thirds of manufacturers that attempted to recruit encountered problems- businesses in Coventry and Warwickshire were particularly affected. Once again, this points to skills shortages continuing to affect local firms' ability to source the right people for the right roles.

In contrast, the ONS revealed that the West Midlands saw the largest decrease in the unemployment rate of any region in the UK between December and February. However, regional employment levels still trail behind national levels; this reiterates the work that needs to be done to ensure local companies can access the skilled talent required to maximise their economic output. In a bid to achieve the ambitious growth targets the WMCA has set for our region, it is vital that the upcoming Local Industrial Strategy and Regional Skills Plan allow for meaningful input from the business community in order to formulate a strategy which offers a blueprint on how our firms can raise productivity levels and ultimately boost prosperity across the region as a whole.



Corin Crane

Chief Executive
Black Country
Chamber of Commerce

Comment on Export Trends

Although Brexit uncertainty dominates news headlines, it is just one of a series of concerns facing West Midlands businesses. The rise in both the National Living Wage and National Minimum Wage, continued difficulties around understanding and spending their apprenticeship levy and planned business rates rises are all domestic pressures which will no doubt concern West Midlands businesses. There is good news however in terms of increasing export sales for the West Midlands. Although the political debate around membership of the Customs Union continues to rage, it is good to see that on the ground, businesses are largely reporting more optimistic outlooks in terms of export sales in Q1 2018, with 44% of manufacturers across the West Midlands reporting an increase in their overseas sales and 22% of service sector firms.

It is good news that a relatively low figure of 11% of firms reported a decrease in export sales in Q1 2018. With Brexit negotiations moving on to what a future trading relationship will look like between the UK and EU, the nitty gritty of trade specifics and the guarantee of a two-year implementation period, businesses can now benefit from genuine clarity from the Government.



Louise Bennett

Chief Executive
Coventry and Warwickshire
Chamber of Commerce

Comment on Business Confidence Trends

Businesses across the West Midlands are varied, robust and resilient. It is good to see, throughout the Quarterly Economic Snapshot that our West Midlands businesses are feeling confident and resilient, despite some economic and political uncertainty, notably Brexit.

The West Midlands business base is diverse, with businesses of all sizes from all sectors. The West Midlands also has a good number of exporters and this significantly contributes to the resilience of the local economy.

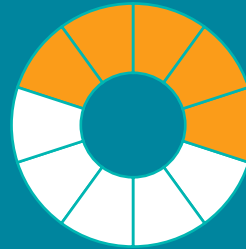
Confidence across manufacturing & engineering firms is good, many of whom will be experienced exporters who continue to explore new markets and opportunities. The manufacturing & engineering sector must continue to invest in research & development, technology and, of course, its people and their skills. Confidence across the professional, financial & services sectors is less notable than the manufacturing sector, but relatively strong compared to other parts of the UK. In particular, these sectors have the opportunity to grow through investment in leadership & management and skills and looking at diversified export potential.

Key Statistics

Recruitment Trends

63%

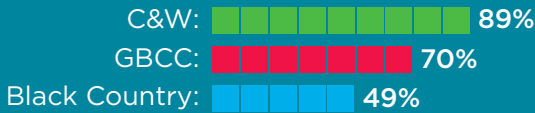
of manufacturers in the region faced recruitment difficulties. The most affected manufacturers were based in:



Of all firms surveyed,

50%

faced recruitment difficulties



45%

of service firms in the region faced recruitment difficulties. This was most evident for service sector businesses operating in:



Official Statistics for Employment Trends (West Midlands/UK)

Between **December 2017** and **February 2018** the employment rate in the West Midlands rose to **73%**, an **increase of 0.5%** since the previous quarter (September-November 2017). The regional **unemployment rate** fell by **0.5%** to **5%**, and **inactivity** fell by **0.2%** to **23%**

From a national perspective, the employment rate rose by **0.1%** to **75.4%**, the **highest figure** recorded since records began in **1971**

Export Trends

Total Balance Score of:

60

for businesses in both sectors combined for export sales



This was based on:



44%

of manufacturers across the West Midlands reported an **increase** in their **overseas sales** compared to **22%** of service firms

30%

of all companies across the region expected their **international output** to go up over the next **3 months**

59%

of firms expected their overseas orders to **stay the same** for Q1 whereas **11%** of all businesses expected them to fall in the upcoming months

Key Statistics

Export Trends

12% of manufacturers in the **Black Country** reported a **fall** in their export sales

65% of manufacturers in **Greater Birmingham** reported **constancy** in their export sales

49% of manufacturers in **Coventry and Warwickshire** reported an **increase** in their export sales

Official Export Statistics for the West Midlands/UK

The West Midlands accounts for 10.2% of the total share of UK exports and 7.8% of the UK's total imports (year ending Q4 2017)

The European Union remains the West Midlands biggest trading partner – with the European Union accounting for 47% of the West Midlands imports and 62% in terms of West Midlands exports

The total UK trade deficit (goods and services) widened by £0.4 billion to £6.4 billion in the three months to February 2018

Business Confidence

Total Balance Score of:

80 for businesses in both sectors combined in relation to turnover projections. This was based on:



^ 67%

of firms expecting their turnover to increase in the next 12 months

- 26%

of firms expecting their turnover to stay the same in the next 12 months

v 7%

of firms expecting their turnover to fall in the next 12 months

Total Balance Score of:

75 for businesses in both sectors combined in relation to profitability projections. This was based on:



^ 62%

of firms expecting their profit to increase in the next 12 months

- 26%

of firms expecting their profit to stay the same in the next 12 months

v 12%

of firms expecting their profit levels to fall in the next 12 months

Official Export Statistics for the West Midlands/UK

From a national perspective, the ONS estimated that GDP volume levels had seen a slight uplift of 0.4% between Q3 and Q4 of 2017

The IHS Markit/CIPs service PMI went up to a four month high in February to a balance score of 54.5

By contrast, the ONS revealed that manufacturing output had fallen by 0.2% in February 2018. Construction output also suffered a fall of 1.6% in February, following on from a 3.1% drop in January

About the West Midlands Quarterly Economic Snapshot

The West Midlands Quarterly Economic Snapshot offers an up to date picture of the performance of the West Midlands business community. It is the most comprehensive regular report of its kind in the region. The findings of the snapshot are informed by official statistics sourced from bodies such as IHS/Markit CIPs and the Office of National Statistics along with data gathered from quarterly economic surveys which are conducted by The Greater Birmingham Chambers of Commerce, Black Country Chamber of Commerce and Coventry and Warwickshire Chamber of Commerce.

The quarterly economic surveys consist of information gathered from local businesses on key indicators such as sales, exports, recruitment plans and turnover projections. In total, just under a thousand businesses across the West Midlands completed the Quarterly Economic Survey with 72% of them operating in the services sector and 28% operating in the manufacturing sector. Percentage balance figures are determined according to business responses to the indicators: an increase (multiplied by 1), remain constant (multiplied by 0.5), decrease (multiplied by 0). A score of over 50 is indicative of a growth sentiment.

Official Quarterly Economic Snapshot Sponsors



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Black Country LEP

Official sponsor of Black Country Chamber of Commerce Quarterly Economic Survey



Warwickshire County Council

Official sponsor of Coventry and Warwickshire Chamber of Commerce Quarterly Economic Survey

About the Chambers

Greater Birmingham Chambers of Commerce

The Greater Birmingham Chambers of Commerce (GBCC) is here to connect, support and grow local businesses. Accredited by the British Chambers, we have acted as the voice of local businesses since 1813.

W: www.greaterbirminghamchambers.com

E: policy@birmingham-chamber.com

T: @grbhamchambers



Black Country Chamber of Commerce

Black Country Chamber of Commerce is a membership organisation that provides support to businesses throughout Dudley, Sandwell, Walsall and Wolverhampton. Black Country Chamber provide help, advice and a range of services.

W: www.blackcountrychamber.co.uk

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Coventry & Warwickshire Chamber of Commerce

The Coventry & Warwickshire Chamber of Commerce is a business membership organisation with five branches across the region - Rugby, Coventry, Mid, North and South Warwickshire.

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