



# Black Country Brexit Monitor September 2019

Black Country Consortium



*Economic Intelligence Unit*



# Key Statistics

Indicator Groups	This quarter compared to last quarter	This year compared to this time last year
 <b>*Economy</b>	0.0% GDP growth since last quarter Q4 2018 vs Q3 2018 	3.2% GDP change since last year Q4 2018 vs Q4 2017 
 <b>*Business activity</b>	Last quarter Business Index was 50.7, currently it's 47.5 August 2019 vs May 2019 	Down 7.5 since last year, when it was 55.0 August 2019 vs August 2018 
 <b>*Exports</b>	Exports decreased by 8.6% Q2 2019 vs Q1 2019 	Exports decreased by 4.8% since last year Q2 2019 vs Q2 2018 
 <b>*Imports</b>	Imports decreased by 13.1% Q2 2019 vs Q1 2019 	Imports increased by 3.0% Q2 2019 vs Q2 2018 
 <b>Claimant Count</b>	Up 7.7% on the previous quarter August 2019 vs May 2019 	Up 24.3% since the last year August 2019 vs August 2018 
 <b>*Employment</b>	Employment increased by 0.7pp May to July 2019 vs Feb – April 2019 	No change since the last year May to July 2019 vs May to July 2018 
 <b>House Prices</b>	Up 1.4% (£2,439) since last quarter December 2019 vs September 2019 	Up 5.0% (£8,449) since last year December 2019 vs December 2018 

Key:

Increase 

No Change 

Decrease 

Green = move in the positive direction at a rate greater than national average

Amber = move in the positive direction at the same or less than rate as national average

Red = move in a negative direction

\* Economy, Business Activity, Trade and Employment are for the West Midlands region

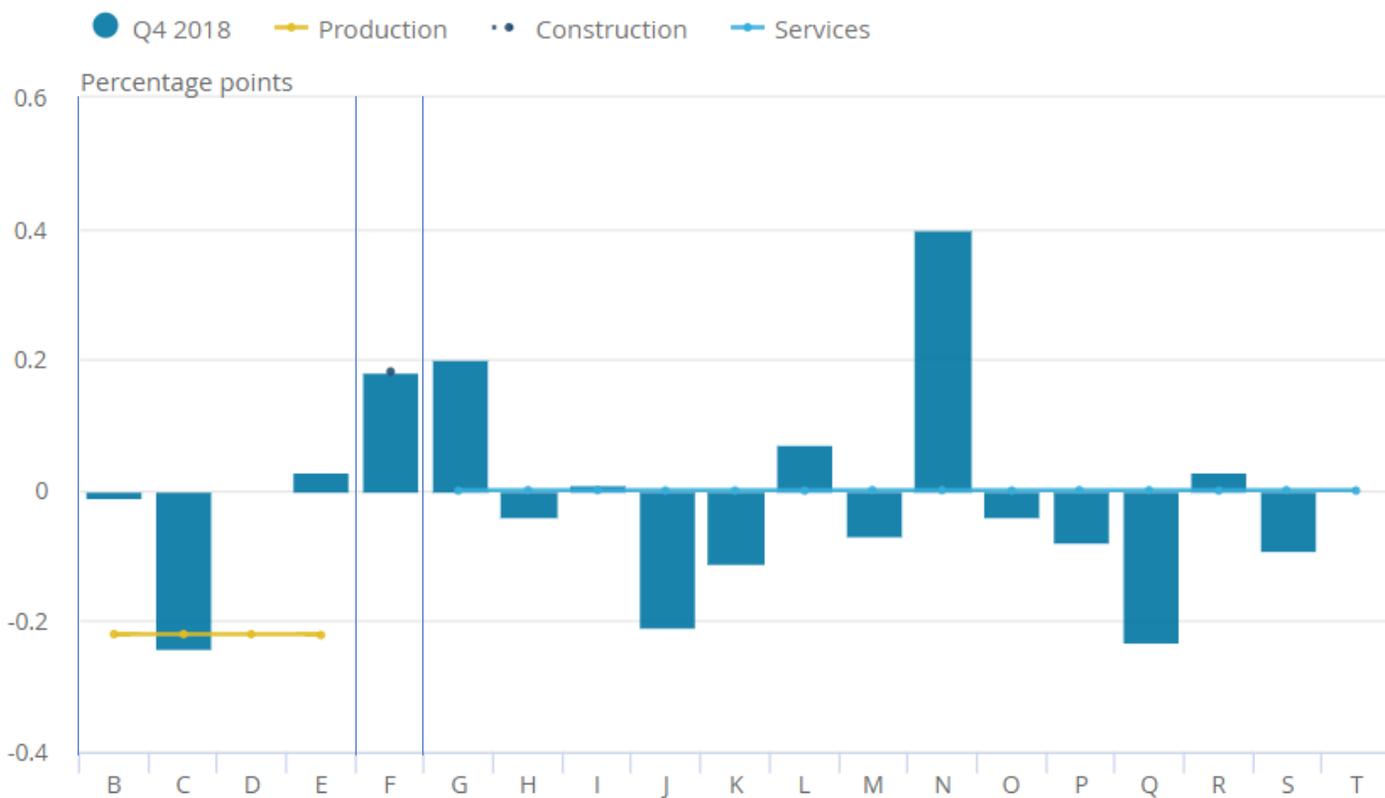
# Economy – Regional GDP

The West Midlands is one of six areas within the UK that experienced no growth in GDP in Q4 (Oct – Dec) 2018. Overall the UK GDP growth was 0.2% in Q4 2018.

The West Midlands had the second highest growth from Q4 2017 to Q4 2018, at 3.2% - above the UK growth of 1.5%.

In Q4 2018, the construction sector increased by 3.0% (+0.18pp to GDP growth) in the West Midlands, there was no growth in the service sector and a decrease of 1.1% (-0.22pp negative contribution to growth) in the production sector.

**Figure 1: Contributions to GDP, the West Midlands, Quarter 4 (Oct to Dec) 2018, by industry section. B – E =Production , F = Construction, G-T = Services**



Please note, the Gross Domestic Product (GDP) estimates are designed as experimental statistics and should be interpreted with some caution.

Gross domestic product (GDP) measures the value of goods and services produced in the UK. It estimates the size of, and growth in, the economy.

# Business Activity - Purchasing Managers Index (July 2019)

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 – registered 47.5 in August, down from 49.7 in July. A reading below 50 indicates contraction in output, and the further below 50 the faster the rate of decline signalled. At the sector level, data indicated reductions in both manufacturing production and service sector business activity, with the former exhibiting the weaker trend. The decrease in output in the region contrasted with a slight increase across the UK as a whole.

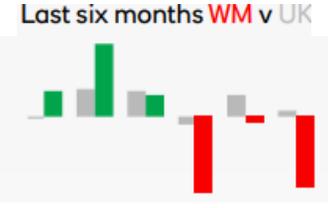
**Demand:** One area where the West Midlands did outperform in August was on the order book front. Local firms reported inflows of new work rising for the second month running, reversing the decreases recorded during both May and June.

**Capacity:** With capacity pressures remaining low, businesses took the opportunity to scale down workforce numbers, resulting in the first drop in private sector employment since December 2012.

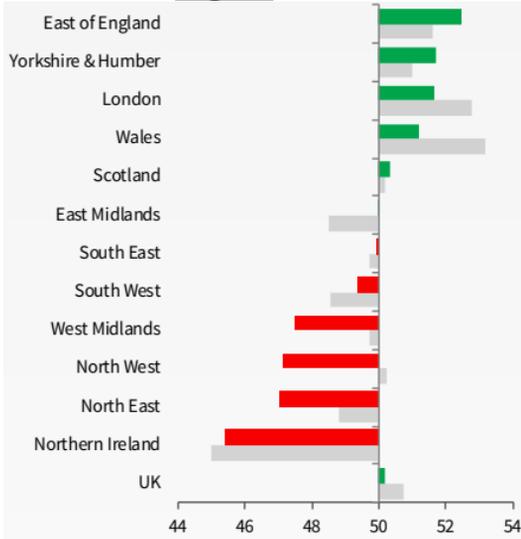
**Prices:** A second factor leading firms to trim payroll numbers was increased pressure on margins. Driven by the weak pound, firms' input costs rose at the fastest rate for three months in August.

**Outlook:** Firms' willingness to take on new staff was also undermined by increased worries about the outlook for activity. Business confidence decreased sharply in August, due to growing concerns about the health of the economy and heightened Brexit uncertainty.

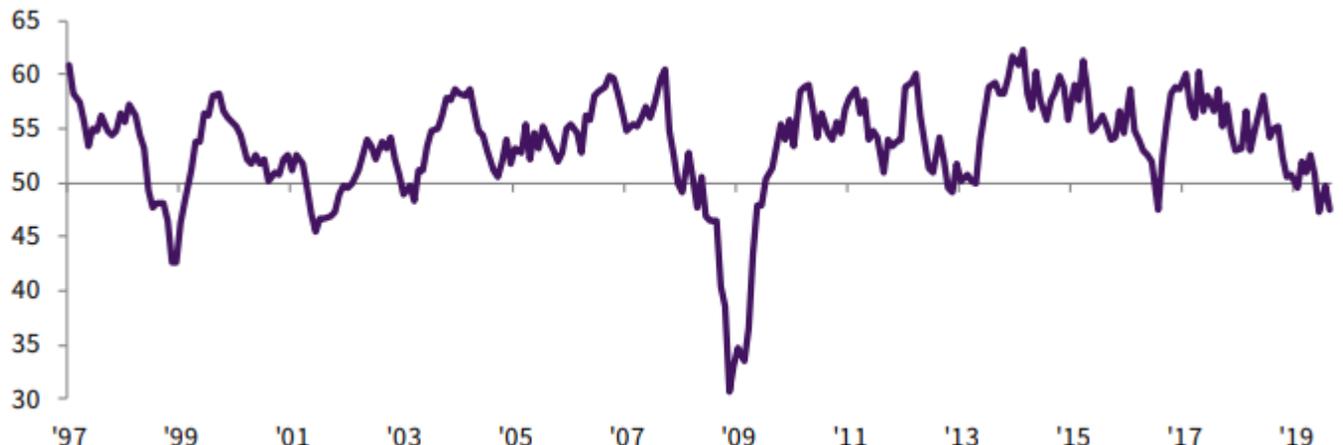
**Figure 2: West Midlands Business Activity Index**



**Figure 3: UK Regional PMI Overview, Output Index by region**



**Figure 4: West Midlands Business activity Index**



Source: NatWest West Midlands PMI

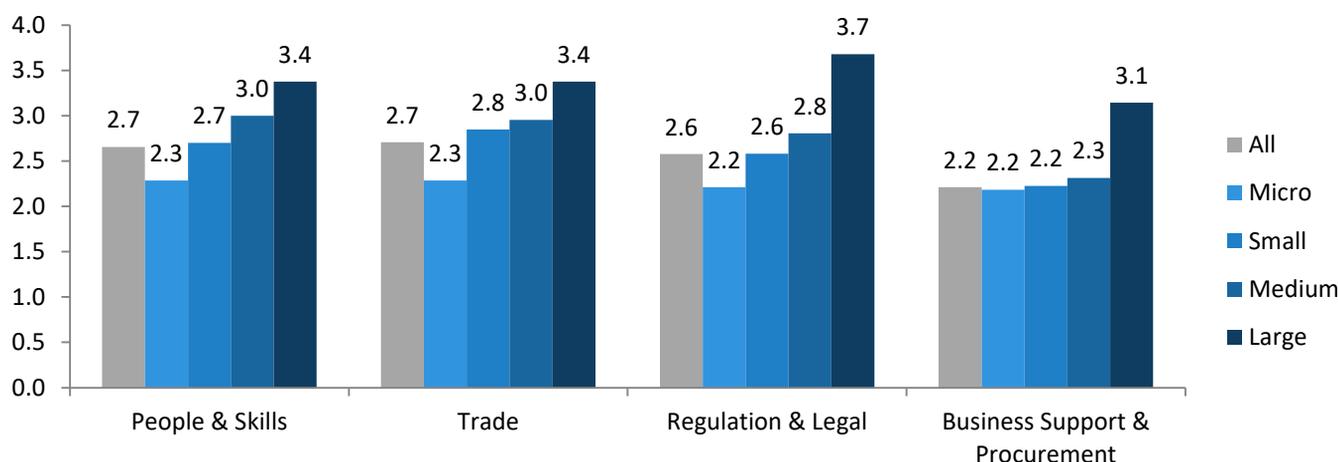
# Chamber Confidence – Chamber Survey Results

## The Business Brexit Health Check Responses June – August 2019

The *Business Brexit Health Check* presents employers with a range of questions split into four thematic sections: 1) People & Skills, 2) Trade, 3) Regulation & Legal, 4) Business Support & Procurement. Each thematic section asks employers to rate the extent to which they have researched the potential Brexit related impacts of the topic in question on their business and the extent to which they feel they have prepared.

Based on the Brexit Readiness Index respondents feel most prepared for the *people & skills* related aspects of Brexit and least prepared for the *business support & procurement* related aspects.

**Figure 5: Brexit Readiness Indicator Score:**



1. On average, large firms identified three times as many areas of their operations that could be impacted by Brexit than micro firms (micro (4.7), small (8.7), medium (10.9) and large (14.5)).
2. Brexit “preparedness” varies significantly by organisation size: micro businesses are the least likely to have undertaken proactive steps to prepare for Brexit and large organisations the most.
3. Over a quarter of micro firms and over half of small firms in this sample purchase goods from the EU and almost a quarter of micro firms and almost a third of small firms sell goods or services to one or more of the 50 nations that the EU has trade agreements with.
4. All firms were most likely to be impacted through their people (pension arrangements, professional qualifications, business trips and EU nationals in their workforce) and trading relationships (buying from or selling goods to other parts of the EU).
5. From the British Chambers of Commerce *International Trade Survey 2019* West Midlands Region results:
6. In the event of a no-deal Brexit, the most frequently reported actions businesses would take are to revise investment plans (36%) and recruitment plans (27%).
7. If the UK and EU are unable to agree a Brexit Deal by the 31<sup>st</sup> October deadline the top two preferences from businesses surveyed are: the UK revokes article 50 and remains in the EU (44%) and the UK leaves without an agreement and defaults to WTO rules (34%).

# Trade – Imports and Exports. UK Regional Accounts

## UK Regional Trade in Goods Statistics: Quarter 2 2019

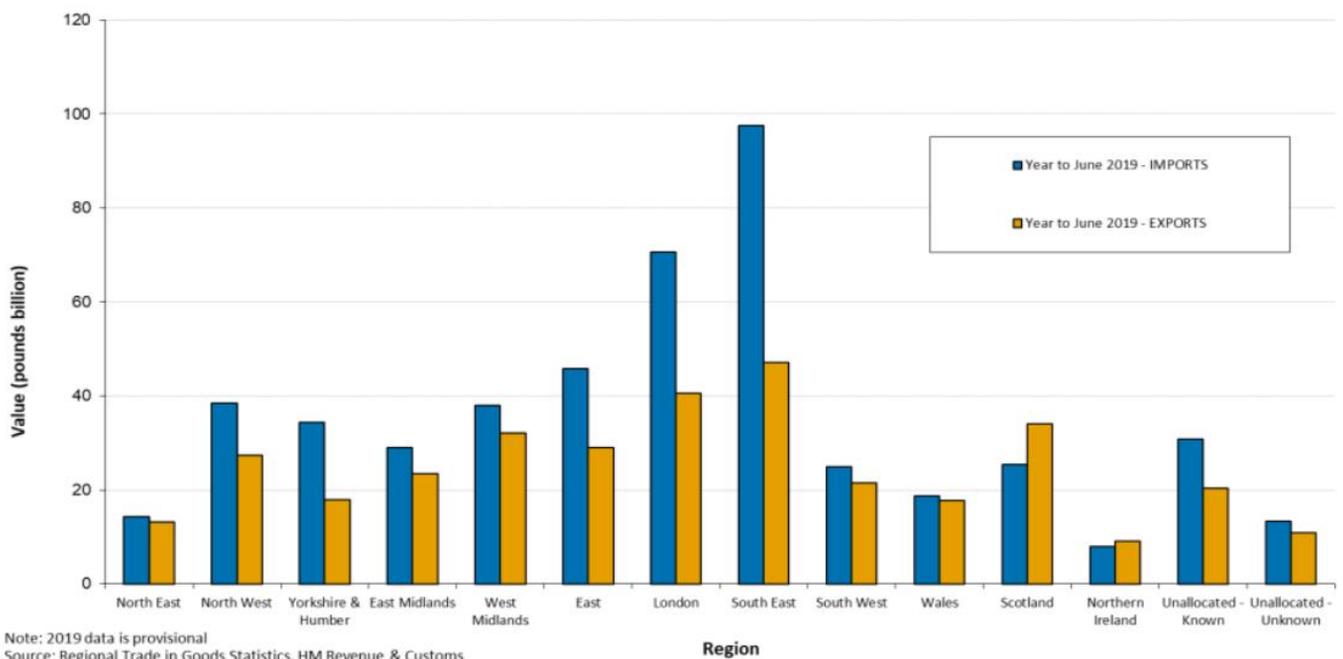
In the year to June 2019, the West Midlands Regional trade in goods exports was worth £32bn – a decrease of -4.8% compared with the same period as last year. Outside of South East and London, the West Midlands is the largest exporting region in the UK (13.7%, 11.8% and 9.3% of all UK exports respectively).

In the year to June 2019, the overall value of UK trade in goods exports increased by 3.3% compared with the same period last year and is estimated at £344bn.

In the year to June 2019, West Midlands imports increased by 3.0% compared with the same period last year and reached £37.9bn, resulting in a trade deficit of £5.9bn. The UK's overall imports increased by 3.9% to £489bn over the same period.

The following figure shows the value of imports and exports by region. The West Midlands exported £32bn and imported £37.9bn.

**Figure 6: UK Imports and Exports by Region, year to June 2019**



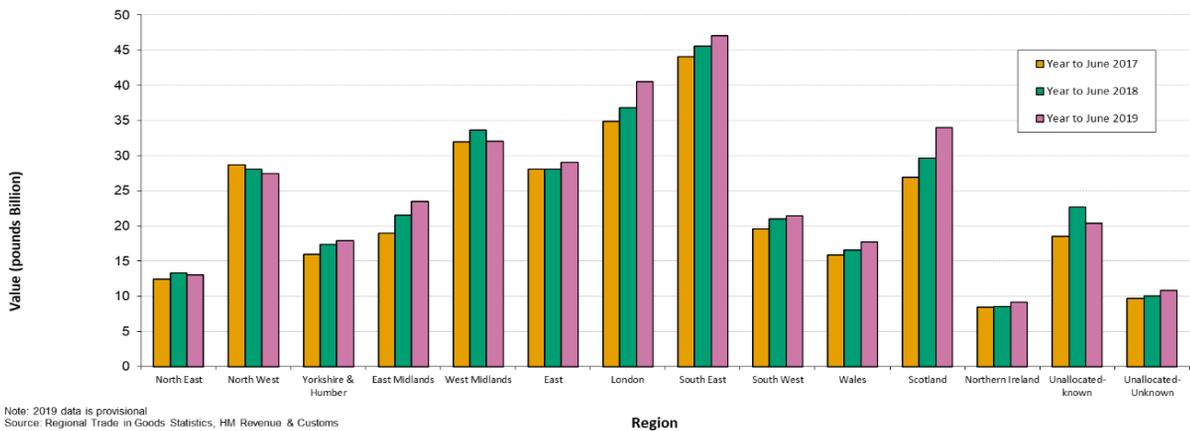
## Exports

In the year end to June 2019, the West Midlands, North West and North East were the three English Regions to experience a decrease in annual export values, -4.8%, -2.3% and -2.0% respectively compared to the same period as last year. While UK exports overall increased by 3.3%.

The West Midlands region has a total annual value of exports of £32bn, which accounts for 9.3% of all UK exports – the 3<sup>rd</sup> highest of any English region.

# UK Regional Accounts

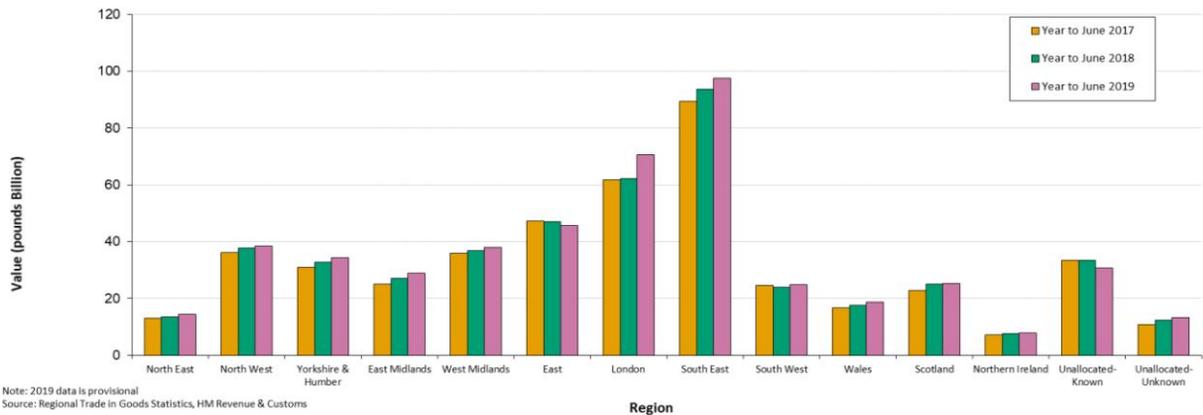
**Figure 7: UK Exports by Region, 2016 Q3 to 2019 Q2**



## Imports

The total annual value of the West Midlands region imports increased by 3.0% to £37.9bn in the year ending June 2019 compared with the same period the previous year. The UK increased by 3.9% to £489bn over the same period.

**Figure 8: UK Imports by Region, 2016 Q3 to 2019 Q2**



## Destinations

- The highest value of exports is to the European Union at £15bn, accounting for 46.7% of the total and a 0.6% increase from 2018 Q2. This is followed by North America at £7.5bn, accounting for 23.3% and the highest increase since 2018 Q2 at 9.7%.
- The highest value of imports is from the European Union at £23.4bn, accounting for 61.8% – a 0.7% increase from 2018 Q2. This is followed by Asia and Oceania at £8.6bn with 22.6%, an increase of 8.9% from 2018 Q2.
- The West Midlands had an 11.9% increase in imports from Eastern European (excluding EU) compared to 2018 Q2, however this area contributes to only 1.4% of the total. This is followed by North America with an increase of 7.0%, accounting for 7.0% of the total.

Source: Regional Trade in Goods Statistics, HM Revenue & Customs

Source: HM Revenue & Customs, UK Regional Trade in Goods Statistics Quarter 2 2019 – Released 5<sup>th</sup> September 2019

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/828327/5/RTS\\_Q2\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/828327/5/RTS_Q2_2019.pdf)

# Labour Market - Claimant Count

The Black Country had 35,025 claimants in August 2019, an increase of 2.1% (+705) from the previous month. Within the Black Country, Dudley saw an increase in claimants from the previous month by 140 people (+1.7%) to 8,195. The claimant count in Sandwell also increased, this was by 290 people (+3.1%) to 9,525, Walsall increased its numbers by 230 claimants to 7,650 (+3.1%), and Wolverhampton increased by 40 people (+0.4%) to 9,650. The Black Country have 6,855 more claimants when compared to the same month from the previous year (28,170) an increase of 24.3%, this is below the national average of +29.4%.

There were 7,145 youth claimants in the Black Country an increase of 3.9% (+265) from the previous month. Sandwell claimant count increased from the previous month by 3.1% (+55 people) to 1,835. Dudley's claimant count increase by 5.6% (+90 people) the previous month to 1,710, Wolverhampton increased by 1.3% to 1,880 (+25 claimants) and Walsall increased by 5.5% (+90) to 1,715 claimants. Black Country LEP (+3.9%) rate increased compared to the national average increase of 2.9%.

**Figure 9: Black Country Claimants**

	August 2015	August 2016	August 2017	August 2018	July 2019	August 2019	% Change (Aug – July)
Dudley	5,230	5,705	5,770	7,545	8,055	8,195	+1.7%
Sandwell	6,695	7,180	7,015	7,415	9,235	9,525	+3.1%
Walsall	4,460	4,915	4,885	4,980	7,420	7,650	+3.1%
Wolverhampton	6,405	6,815	6,740	8,230	9,610	9,650	+0.4%
Black Country	22,790	24,610	24,410	28,170	34,320	35,025	+2.1%
England	615,965	616,025	653,805	749,775	959,965	976,125	+1.7%

Source: Department of work and pensions, Claimant Count, September 2019

## Quarterly Employment

- The West Midlands region employment rate for May to July 2019 was 74.6%, while the UK was 76.1%.
- From the previous quarter the West Midlands employment rate increased by 0.7pp – one of the largest increases in employment rate in the UK, while the overall UK employment rate did not change.
- The West Midlands region unemployment rate for May to July 2019 was 4.2% - the largest decrease compared to other regions in the UK (-0.8pp). The average unemployment rate in the UK was 3.8% which has not changed since the previous quarter.
- The West Midlands region inactivity rate for May to July 2019 was 22.1%, while the UK was 20.8%.
- From the previous quarter the West Midlands increased by 0.1pp, while the UK did not change.

Source: ONS Annual Population Survey July 2019 release

# Housing Market – House Prices

Median house prices in the Black Country are currently at £178,639, up 1.4% (£2,439) since last quarter, and up 5.0% (£8,449) since this time last year. This is a faster rate of change than at the England level, as there was a 0.0% change in median house prices across England, and a 2.1% (£50) change since the last quarter.

The West Midlands saw the fastest rate of increase in median house prices out of all the English regions, seeing the second highest rate of increase since the last quarter (+1.1%), and the highest rate of increase since the previous year (+5.6%).

**Figure 10: Median House Prices in the Black Country**

Median House Price Paid in the Black Country

