



West Midlands

Quarterly Economic Snapshot – Q2 2022

Analysis of West Midlands Combined Authority area business sentiment and economic trends



Henrietta Brealey

Chief Executive
Greater Birmingham
Chambers of Commerce

Comment on Recruitment Trends

There are reasons to be positive within the latest West Midlands Quarterly Economic Snapshot as balance scores for turnover and profitability over the next 12 months remain strong. A sign of the underlying resilience of the local business community as we look forward to hosting the biggest sporting spectacle this city has ever witnessed: the 2022 Commonwealth Games. However, the challenges facing business continue to build with persistent issues around accessing talent particularly apparent as a record proportion of businesses faced recruitment difficulties, particularly in the Greater Birmingham area.

Within this context, businesses need an urgent government response to the rising cost of doing business and difficulties accessing talent. The importance of projects and events such as the Birmingham 2022 Commonwealth Games becomes even more apparent given the opportunities they present to upskill local talent across the region. As a Chamber, we will be working closely with businesses to ensure they are primed to maximise the opportunities that this once-in-a-generation project will bring.



Neil Anderson

Director of External Affairs
Black Country Chambers of
Commerce

Comment on Business Confidence

Although 46% of businesses across the region are expecting an increase in profit over the next 12, it's still not a positive picture overall. With inflation being a major concern, particularly across the logistics and manufacturing industry. With pressure to increase wages, sitting alongside increased costs to move goods and purchase raw materials. This creates a difficult environment to make investment decisions, especially when indications are inflation has not yet reached its peak, and it is unclear which levers are going to be pulled to take the UK economy back to growth.



Sean Rose

Head of Policy
Coventry and Warwickshire
Chamber of Commerce

Comment on Export Trends

It was pleasing to see export orders for manufacturers in Coventry and Warwickshire rise in the second quarter of 2022.

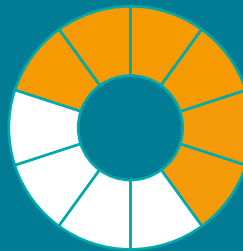
The sector is facing a range of issues – particularly around a shortage of materials alongside price rises that is making life difficult on a day-to-day basis. We will keep a close eye on whether this is the start of an upward trend which would, of course, be a boost to the region's economy.

Key Statistics

Recruitment Difficulties (QES Data)

73%

of firms experienced recruitment challenges in Q2, an increase of 6% compared to Q1. Businesses in Coventry and Warwickshire (64%) fared better than the Black Country (86%) and Greater Birmingham (76%) in this respect.



70%

of service firms in the region faced recruitment difficulties, an increase of 4% compared to Q1.



82%

of manufacturers encountered recruitment issues this quarter, a 14% increase compared to the previous quarter.

Official Statistics for Employment Trends (West Midlands/UK)

- For the period of February to April 2022 the employment rate in the West Midlands was 75.9%, a 0.2% increase on the previous quarter (November to January 2022) and 0.3% above the UK average.
- In the same period, the overall UK employment rate increased by 0.2% to 75.6%. This is still 0.9% below pre-pandemic levels.
- The UK's unemployment rate fell 0.2% during this period to 3.8%.

Export Trends (QES Data)

A Balance Score of:

52

The balance score for export sales across the region remained steady at 52 this quarter, a figure that is broadly consistent with Q1.



30%

of manufacturers across the West Midlands Combined Authority (WMCA) area experienced an increase in their international output, compared to 24% of service firms.

This was based on:

▲ 27%

27% of firms reporting an increase in export sales (a 3% increase from Q1)

= 50%

reporting that export sales had remained constant (a 3% decrease compared to Q1)

▼ 23%

of firms reporting a decrease in sales (a 1% decrease from Q1)

24%

of firms in the region expect their overseas sales to increase over the next three months, 50% expect sales to remain the same and 26% anticipate a decrease.

Official Trade Statistics (West Midlands/UK)

- Total exports of goods, excluding precious metals, increased by £2.2 billion (7.4%) in April 2022 compared with March 2022. This was driven by an 8.1% increase in exports to the European Union (EU) and a 6.5% increase in exports to non-EU countries.
- Total imports of goods on a national level, excluding precious metals, increased by £0.4 billion (0.7%) in April 2022 compared with March 2022. This was due to a 4.2% rise in imports from EU countries. In contrast, imports from non-EU countries fell by 2.6%.
- EU exports have increased for the third consecutive month in April 2022 and are, according to the Office for National Statistics, at the highest levels since records began.

Key Statistics

Business Resilience (QES Data)

A Balance Score of:

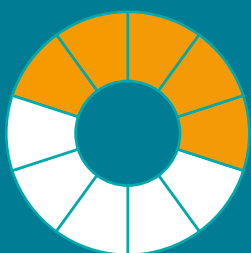
79

The balance score for price pressures hit 79 this quarter, the same as the previous quarter and the joint highest figure on record.



69%

of regional manufacturers expect the prices of their goods and services to increase over the next three months, compared to 56% of service firms.



The overall balance score for cash flow projections was

53

a one-point increase on the previous quarter. This was based on:

29% seeing their cashflow increase over the past three months

47% experiencing constancy in cashflow

24% reporting a decrease in cashflow

5% of Black Country businesses expected to lower their prices, compared to 2% in Coventry and Warwickshire and 1% in Greater Birmingham

26%

of manufacturers and 22% of service firms experienced a fall in cashflow in Q2. The largest proportion of manufacturers reporting a fall in cashflow are based in:



Black Country:  30%
GBCC  27%
C&W:  25%

Business Investment (QES Data)

Across the region as a whole

22%

of firms reported an increase in investment plans for capital expenditure (capex), a decrease of 3% compared to Q1. 61% of firms remained constant in terms of their capex investment and 17% reported scaling back their investment.

24%

of Greater Birmingham firms revised their capex investment upwards, compared to 21% for the Black Country and 19% for Coventry and Warwickshire.

The balance score for capital expenditure investment fell by four points for manufacturers (from 56 to 52) and remained constant for services firms (53).

Key Statistics

Price Pressures and Investment Levels (UK Trends)

- The Consumer Prices Index (including owner occupiers' housing costs) (CPIH) rose by 7.9% in the 12 months to May 2022, up from 7.8% in April. The largest upward contributions to the annual CPIH inflation rate in May 2022 came from housing and household services (principally from electricity, gas and other fuels, and owner occupiers' housing costs) and transport (principally from motor fuels and second-hand cars).
- Business investment fell by 0.6% in Q1 (January to March), revised down from the provisional estimate of negative 0.5%. This is 9.2% below pre-pandemic levels (Q4 2019).

Business Confidence (QES Data)

A Balance Score of:

61

was recorded for profitability projections across West Midlands firms (a seven-point decrease compared to Q1 2022).



This was based on:

▲ 46%

expecting an increase in profits over the next 12 months (an 8% decrease compared to Q1)

=30%

expecting profits to remain constant (2% higher than Q1)

▼ 25%

expected profits to decrease (a 7% increase compared to Q1)

The balance score for turnover projections fell by six points to 70 points. This was based on 55% of companies reporting an increase in expected turnover, 30% expecting constancy and 15% anticipating a decrease in turnover levels.

Business Confidence (UK Trends)

- Gross Domestic Product fell by 0.3% in April 2022, after a decline of 0.1% in March 2022. Services falling by 0.3% was the biggest contributor to this change, although production and construction also fell by 0.6% and 0.4% respectively.
- The latest Institute of Chartered Accountants in England and Wales Business Confidence Monitor shows a weakening sentiment of confidence across the UK business community in Q2, but the West Midlands remains the most confident region in the country.

Business Commentary - Coventry and Warwickshire



Steve Harcourt

Director of Prime Accountants
Group

"The service sector saw a fall in overseas sales, which is clearly a concern. The disparity between the service sector and manufacturing in terms of overseas sales in the latest quarter is further evidence of there being a real mixed economic picture across the region and, indeed, the country.

We can expect to see these kinds of fluctuations until the economy settles down and factors such as inflation start to be brought under control."

About the West Midlands Quarterly Economic Snapshot

The West Midlands Quarterly Economic Snapshot offers an up-to-date picture of the performance of the business community in the WMCA area. It is the most comprehensive regular report of its kind in the region. Both the national and regional figures are informed by official statistics from bodies such as the Office for National Statistics, HIS Markit and the Chartered Institute of Procurement and Supply. WMCA area data is also gathered from quarterly economic surveys 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, 556 businesses across the West Midlands completed the Quarterly Economic Survey with 78% of respondents operating in the services sector and 22% 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. Note that figures may not always total exactly due to rounding differences.

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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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