

Recent Economic Trends – The Black Country



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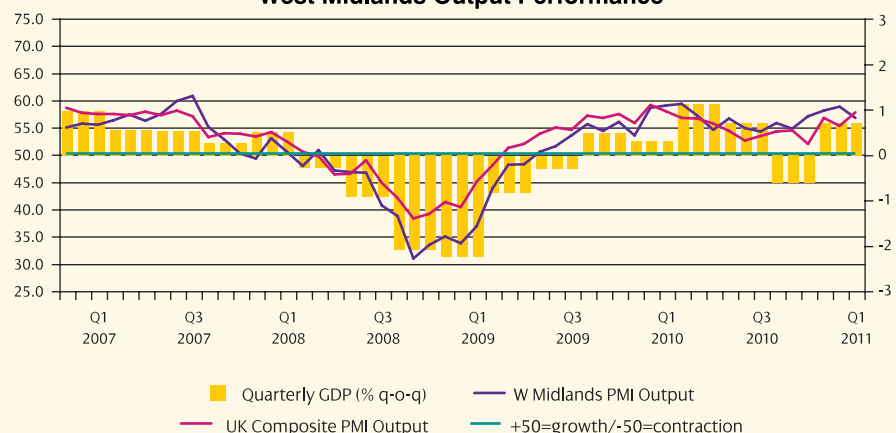
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	Land Area (square kilometer)	Population 2009 ('000)	Employment rates 2007/08 (%)	Median earnings £ per week	Pupils achieving English Baccalaureate %	Active Enterprises (AE) 2008 ('000)	Business Creation % of AE	Business Demise % of AE
England	130,279	51,810	74.5	496	15.6	2025	11.8	9.5
West Midlands	12,998	5,431	72.4	457.4		191.5	10.8	9.3
Black Country	357	1092	69.3	419.4				
Dudley	98	307	74.9	434	10.1	10.1	10.9	9.1
Sandwell	86	291	65.6	412.3	4.3	7.8	11.8	9.4
Walsall	104	256	71.3	406.4	10.6	7.5	10.2	10
Wolverhampton	69	238	65.4	425	11.6	6.9	11.7	9.5

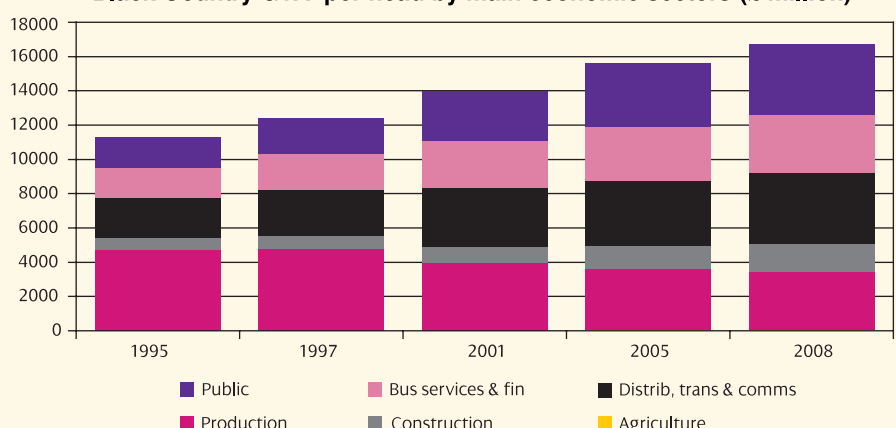
Although WM output performance eased in March, it remains above the long-run trend and appears more robust than that nationally. With industry equivalent to almost a quarter of regional GVA, manufacturing has provided the main impetus to growth, service sector performance continuing to be more subdued. While this is from an admittedly low base, and the recovery both fragile and acutely sensitive to the redirection of fiscal policy, it reflects the underlying dynamism of the local economy. Lack of effective access to working capital appears a major constraint to successfully tapping this latent potential, as is the erosion of skilled labour force during the recession.

West Midlands Output Performance



The Black Country provides about 2% of national GVA, with almost 30% of that provided by production and construction. These figures probably grossly understate the contribution of industry, given the other economic sectors intrinsic to the production process but now out-sourced and the fact that as banks do not pay VAT, calculating their GVA contribution is subject to more complex estimations. There is however a widely recognised gap in output performance between the local economy and the national average. With only nominal GVA available, a proper perspective is not easily possible. In nominal terms between 1989 and 1999 manufacturing increased 34%, but given the rate of inflation of a similar magnitude over the same period, real growth if any was marginal. Since the turn of the century, output levels have steadily eroded, failing close to 12% in nominal terms, probably representing a real contraction of 40%, given price pressures over the same period.

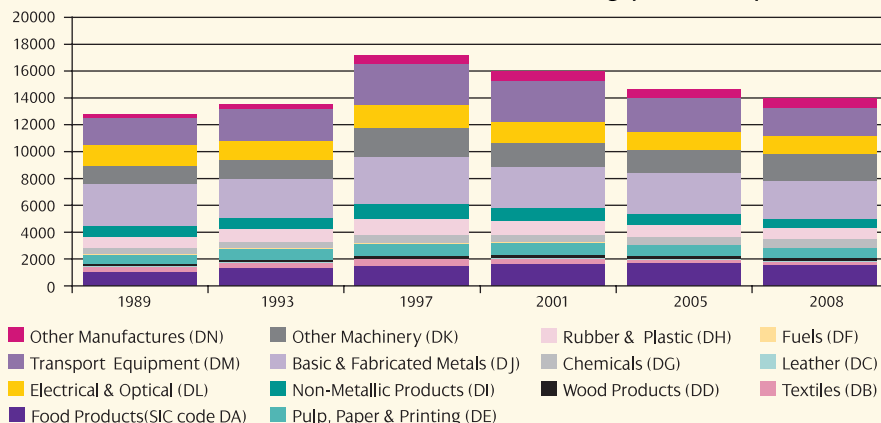
Black Country GVA per head by main economic sectors (£ million)



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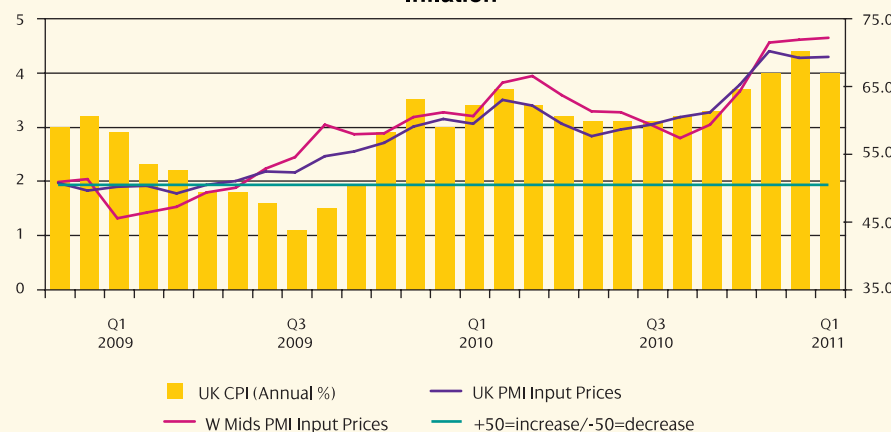
The manufacturing structure largely comprises small-scale precision-based component manufactures coupled with traditional craft-based industries feeding into globally-ranked prestige producers, including JLR, Bosch, Alstom, Rolls Royce and JCB. This structure is not dissimilar from that which has provided the basis for sustained expansion in the sub-regions of Northern Italy and Catalonia.

Structure of West Midlands Manufacturing (GVA £ mln)



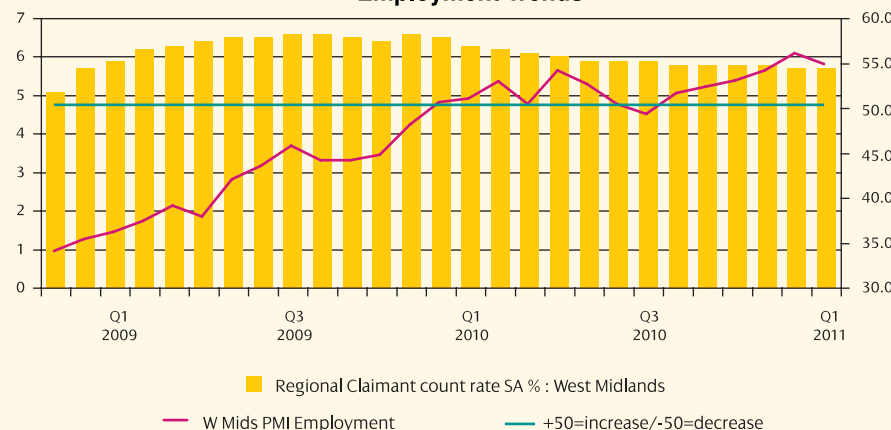
There is no accessible regional or local inflation data to assist in the calculation of real economic performance – with the BoE recently suggesting that national data itself has understated price pressures by as much as 4% in the 13 years ending 2009. Given the structural importance of manufacturing, input price pressures in the Black Country are of a different order to other parts of the economy. In March input prices in the West Midlands accelerated to the highest level for 30 months. This was attributed to both rising commodity and labour costs.

Inflation



The Black Country, in common with much of the West Midlands, suffered a rapid increase in unemployment during the credit crunch, exacerbating an already existing structural problem – real jobless levels are amongst the highest in the country. As a proportion of the active labour force, Sandwell (13.4%), Wolverhampton (12.9%), Walsall (11.8%) and Dudley (9.6%) rank amongst the weakest nationally, and the real data is probably bleaker. However, this obscures the fact that the Black Country in terms of labour productivity, anecdotally ranks as one of the most robust globally – the UK remains the sixth largest manufacturing exporter and the Black Country is one of the largest concentration of manufacturers in the UK. Adoption of kurzarbeit-style counter-cyclical re-skilling programmes, prevalent in Germany, would have limited redundancies and given the manufacturing sector a more robust capacity-base to respond to revived global demand.

Employment Trends



Data sources: ONS, Eurostat, OECD, Markit, Industrial Communities Alliance & Forrest Research.

Disclaimer: while every effort has been made to ensure accuracy, BCRS presents the data above for indicative use only.