



Birmingham Update

Q4 2019



Birmingham
City Council

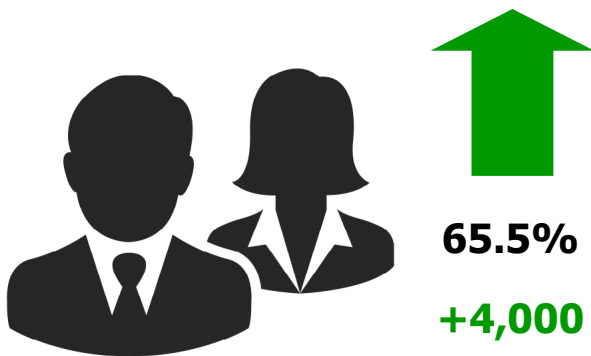
Economic Research & Policy
Inclusive Growth Directorate



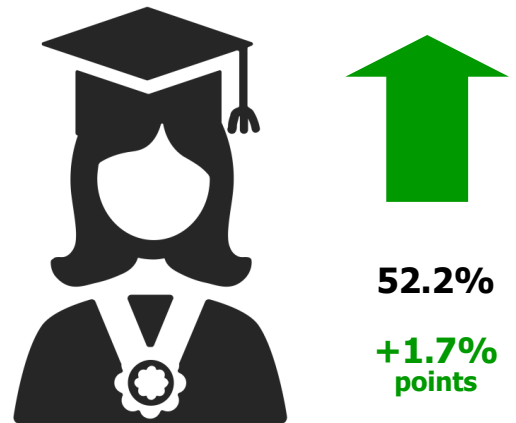
Resident Unemployment Q3 2019



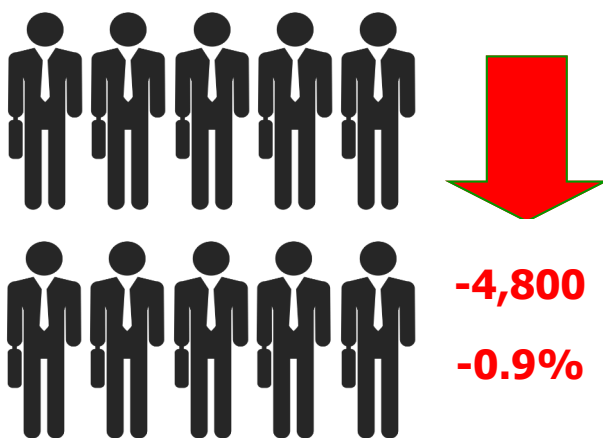
Economic Output 2018 GDP (Nominal)



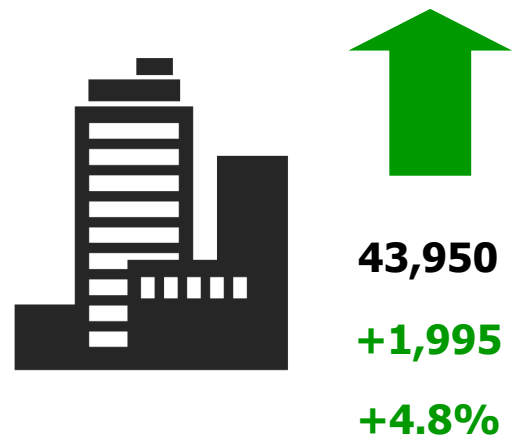
Resident Employment Q3 2019



NVQ3+ Qualifications - 2018



Workplace Employment - 2018



Active Business - 2019

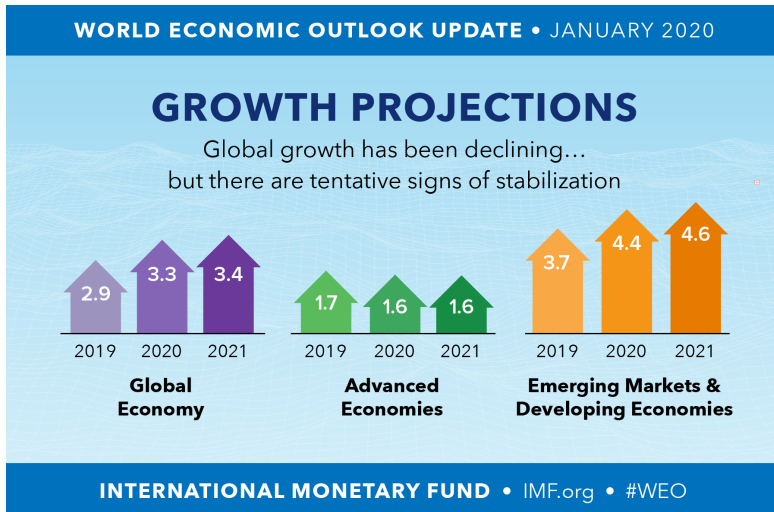
International & National Economic Context

The Global Economy

According to the January 2020 IMF World Economic Outlook report global growth continues to lose pace. Global growth is forecast at 2.9% for 2019, its lowest level since 2008–09 and a 0.1 percentage point downgrade from the October 2019 World Economic Outlook.

Trade policy uncertainty and geopolitical tensions, continued to weigh on global economic activity—especially manufacturing and trade—in the second half of 2019. Intensifying social unrest in several countries posed new challenges, as did weather-related disasters.

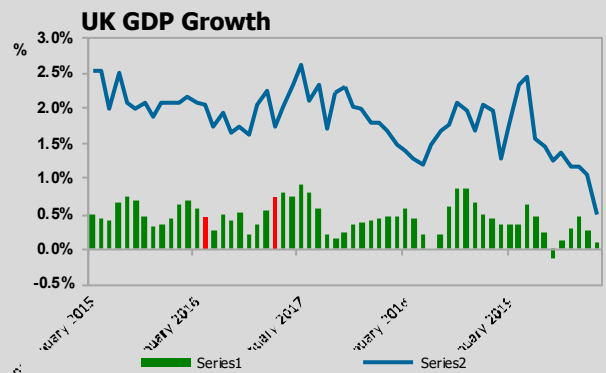
Global growth is forecast to recover in 2020 to 3.3%, then to grow marginally to 3.4% in 2021. Global growth in the next couple of years will be driven by emerging and developing markets, with the advanced economies stagnant.



The UK Economy

UK GDP grew by 0.1% in the three months to November 2019, a slowdown in growth on the 0.3% recorded in the preceding quarter (Jun-Aug 19). Growth in construction (+1.1%) was offset by weak growth in the services sector (+0.1%) and a contraction in output in the production sector (-0.6%). On a monthly basis GDP in November fell by -0.3% after modest growth of 0.1% in the previous two months.

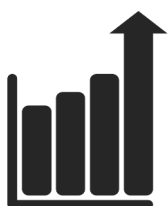
The UK jobs market continues to perform strongly with employment and unemployment at a near record high and low levels respectively. The jobs market appeared to be finally losing steam in the last few months but the latest figures show a new record high for UK employment which increased by 26,000 pushing the employment rate up to 76.3%. The number of people employed in the UK rose to 32.9m. The unemployment rate rose slightly to 3.9% in the last quarter.



The healthy labour market is providing some steady wage growth for UK workers. The latest data shows that average earnings (including bonuses) were up by 3.2% on an annual basis, taking into account inflation earnings were up by 1.6% in real terms in September to November 2019. The rate of pay growth had slowed however when compared to the previous quarter.

After Q1's positive news on business investment levels there has been virtually no growth in investment levels in the subsequent period. Investment levels increased marginally (+0.1%) in Q2 and saw no growth at all in Q3.. Business investment was however up by 0.5% on the same point last year.

Linked to business investment the latest productivity data for the UK for Q3 shows labour productivity as measured by output per hour rose marginally by +.01% when compared to the same point last year. This was the first growth recorded in productivity for over a year. Recent productivity performance is well down on pre recession productivity growth rates that were typically around 2% per annum. Getting productivity growth back on track is the real key to unlocking sustained economic and wage growth and in turn improving living standards.



GDP
+0.1%
Sep - Nov
2019



Inflation
1.3%
Dec 2019



Bank Rate
0.75%
Jan 2020



£1.1bn
Trade
Surplus
Nov 2019



Employment
+26,000
Sep - Nov

Business

Economic Output Grows Strongly

The ONS for the first time have released Gross Domestic Product (GDP) figures for local authorities. The latest economic output figures for Birmingham released at the end of last year show that the local economy grew strongly in 2018.

Economic output as measured by GDP stood at £31.9bn in 2018 this makes Birmingham the largest city economy in the UK outside London. GDP in the city grew in real terms by £1.2bn

(+4.0%) between 2017 and 2018, outstripping the growth rate achieved nationally (+1.4%) and London (+2.0%) and saw the second strongest growth of any UK core city .

GDP per head in the city (£27,966) is still well below the national average (£32,216) and one of the lowest amongst the core cities. The city performs better on GDP per worker (£61,385) a little lower than the UK figure (£67,532) but the highest amongst the core cities.

Change in Business Number - 2018 to 2019

Total Businesses

43,950

+1,995



Private Sector

42,875

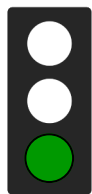
+2,015



Public Sector

1,075

-20



59.5 ↓
Business Start-ups per 10,000 Pop.

57.0% ↓
3 Year Survival Rate

59.3 ↑
Business Deaths per 10,000 Pop.

£7.9bn ↑
WM Exports Q3 2019

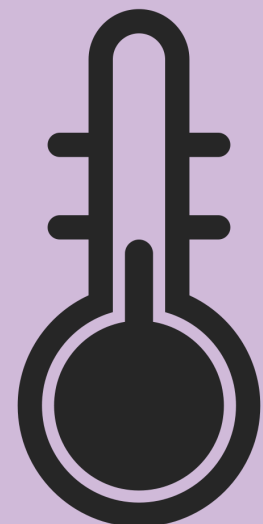
12.7m ↑
Passengers in 2019

Business Sentiment

The West Midlands Regional Purchasing Managers Index (PMI) is part of a closely watched suite of international PMI surveys which are seen as leading indicators of business activity. The latest data for December 2019 shows that private sector business activity in the region contracted for the second consecutive month. The headline business activity index dropped from 49.4 in November to 49.3 (a score below 50 denotes contraction). The region was not alone in posting poor PMI readings in December with only 2 of the 10 UK regions posing results that show an expansion in business activity.

The latest Chamber of Commerce Quarterly Business Report (QBR) for the Greater Birmingham area for Q4 2019 indicated that business sentiment remained relatively robust in the face of continued economic uncertainty.

Responses from businesses on most measures had worsened slightly compared to Q3. Domestic sales were relatively unchanged on Q3 but export sales and advanced orders declined at the end of the year. Price pressures and cash flow remained a concern for local businesses. Business investment in equipment and training weakened in Q4, however, business confidence in terms of expectations for future turnover and profitability remained strong.



People

Resident Employment Grows in Q3 2019

The labour market for local residents has been generally improving over the last couple of years and the latest data for Q3 shows a rebound in employment levels after a fall in Q2.

Working age (16-64) resident employment increased by 4,000 compared to the previous quarter pushing the employment rate up to 65.5%. The employment rate locally is well down on the national rate of 75.6% but the gap with the UK (10.1 percentage points) narrowed in Q3.

Resident unemployment in the city fell by 1,900 in Q3 with the 16-64 unemployment rate down by 0.4% points to 8.3% (UK 4.0%).

The number of 16+64 residents who are economically inactive (not in work or seeking work) fell in Q3, down by 1,300 with the rate falling to 28.6%.

Resident Employment

65.5%

+4,000



Unemployment

8.3%

-1,900



Economic Inactivity

28.6%

-1,300



Average Earnings

The latest earnings data for 2018 shows that the average gross salary for a full time Birmingham resident stood at £27,426, a decrease of 1.5% on 2017. Average earnings increased nationally between 2018 and 2019 by 2.7%.

Those who work in the city (residents and in-commuters) on average earn more than Birmingham residents. In 2019 Birmingham workers average salary stood at £30,676; meaning a £3,250 pay gap exists between residents and those who work in the city. This reflects the skills profile set out below and the subsequent occupational profile with many of the higher paid roles in the city taken by higher skilled in-commuters.



Employment Q3 2019
N^o

478K

Rate

65.5%

Average Earnings 2018

£27,400

Workless Households
57K

-3,100



Children in Poverty
41%

-5% points

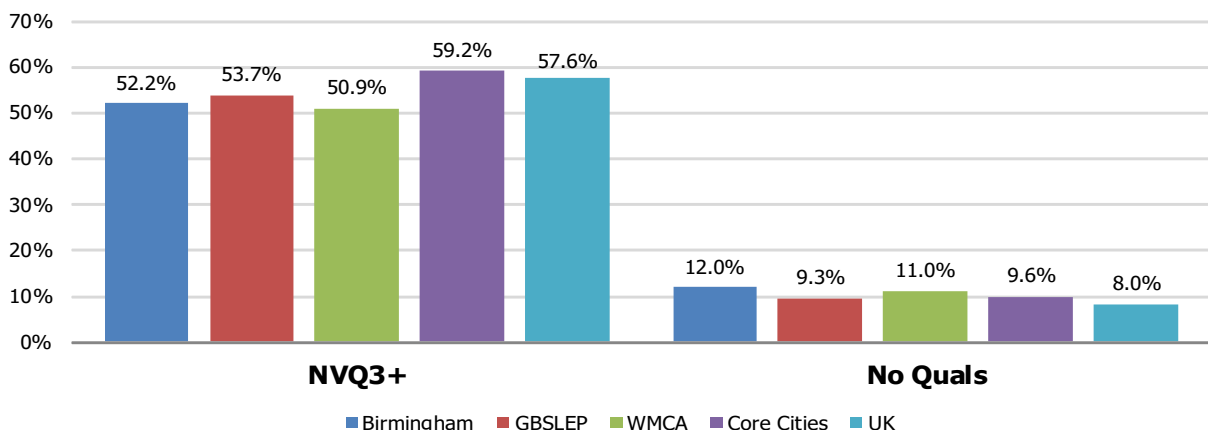
Qualifications & Skills

The comparatively high unemployment and low employment rates in the city are linked to the skills gap that exists locally, with residents having lower skill and qualification levels than the national average.

The chart below highlights this showing how Birmingham (12.0%) has a greater proportion of working age residents with no qualifications compared to the UK (8.0%) and the core city average (9.6%).

The city has seen a decrease in the number of residents with no qualifications in 2018 down by 3,500 with the rate falling by 0.5 percentage points to 12.0%. The number of residents with NVQ3+ qualifications rose by 14,300 and the rate increased by 1.7 percentage points to 52.2%.

Qualification Levels - 2018

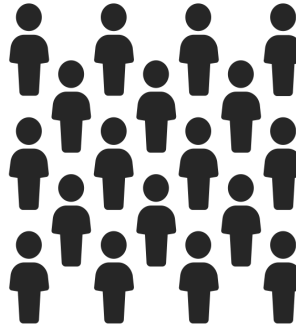


Place

Population Grows Modestly in 2018

The latest mid year population estimates released by the ONS show that in 2018 Birmingham's population increased by 0.4%, compared to 0.6% growth UK wide.

There are 460,000 young people in the city (under 25), accounting for 38% of the city's population. The share of young people locally is significantly higher than the UK average of 30%.



2018 Population
1,114,400

16-64
754K
64%
Of Pop.

Under 25
460K
38%
Of Pop.

House Prices - Nov 2019



Birmingham
+1.4%

Birmingham
West Midlands
United kingdom

Monthly Change

+0.7%
+1.8%
+0.4%

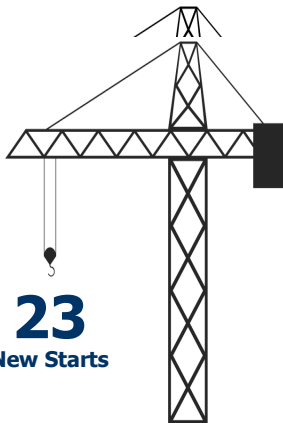
Annual Change

+1.4%
+4.0%
+2.2%

Development Activity

The latest data from the 2019 Deloitte Birmingham Crane Survey which looks at development activity across central Birmingham shows that in 2018 there were 23 new schemes under construction, down marginally on last years total of 24 but well above the 10 year average of 13.

The latest survey shows continued strong development activity in the city's office market with office construction of over 1.4 million square feet. The residential market in the city has seen a surge in activity with over 5,000 units under construction, nearly ten times the 10 year average (555). Retail and leisure development activity remains relatively subdued in the city with only one new start during 2018.



23
New Starts

Office Space
1.4m Sq. Ft.
Under Construction

Housing Units
5,065
Under Construction

Hotel Rooms
443
Under Construction

Student Rooms
2,667
Under Construction



Office Market - Take-up Slows in Q4

The latest data from the Birmingham Office Market Forum shows that Birmingham's office market cooled a little in Q4 with take up down by 55,000 sq. ft. on Q3 to 105,000 sq. ft. the weakest quarterly performance in 2019.

For 2019 as a whole take up totalled 780,000 sq. ft. this is slightly up on the 754,000 sq. ft. achieved in 2018.

2019 Q4 Take-Up

104,893 sq. ft.

Economic Policy

www.birmingham.gov.uk/birminghameconomy

Email: BirminghamEconomy@birmingham.gov.uk