



Birmingham Update

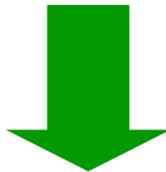
January 2019



Birmingham
City Council

Economic Research & Policy
Economy Directorate

Economic Dashboard



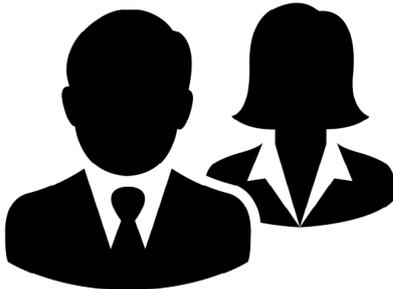
7.0%
-800

Resident Unemployment - Q3 2018



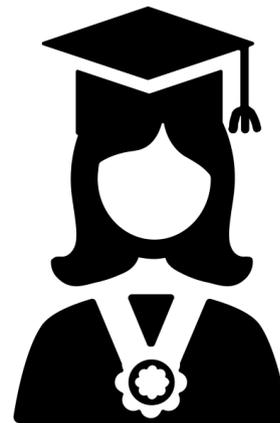
+£985m
+3.6%

Economic Output GVA (Nominal) - 2017



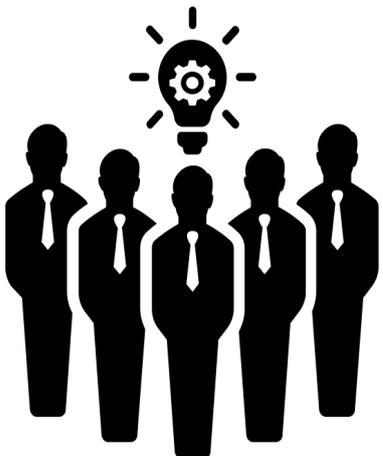
65.3%
+5,800

Resident Employment - Q3 2018



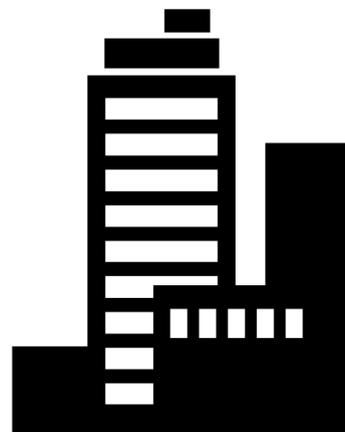
50.4%
+2.0% points

NVQ3+ Qualifications - 2017



+£0.50
+1.8%

Productivity (GVA per Hour Worked) - 2016



65.4
per 10,000 pop
+27%

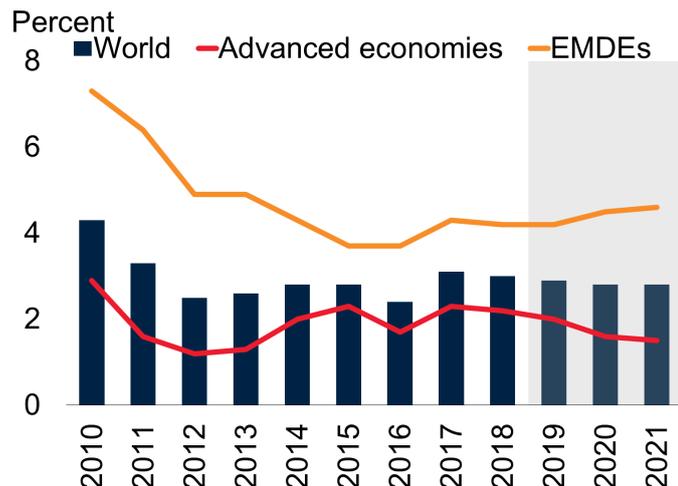
Business Start-Ups - 2017

International & National Economic Trends

The Global Economy

According to the January 2019 World Bank Global Economic Perspectives Report global growth is moderating as the recovery in trade and manufacturing activity loses steam. Global economic growth is expected to slow to 2.9% in 2019 (below previous forecasts) and continue to moderate to 2.8% in 2020 and 2021, primarily the result of a slowdown in advanced economies over this period.

The weakening forecast for growth is being driven by an increase in downside risks including a slowdown in International trade and investment, trade tensions remaining elevated and potentially worsening and some large emerging market and developing economies (EMDEs) experiencing substantial financial market pressures.



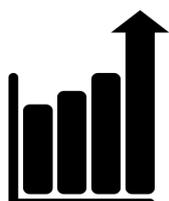
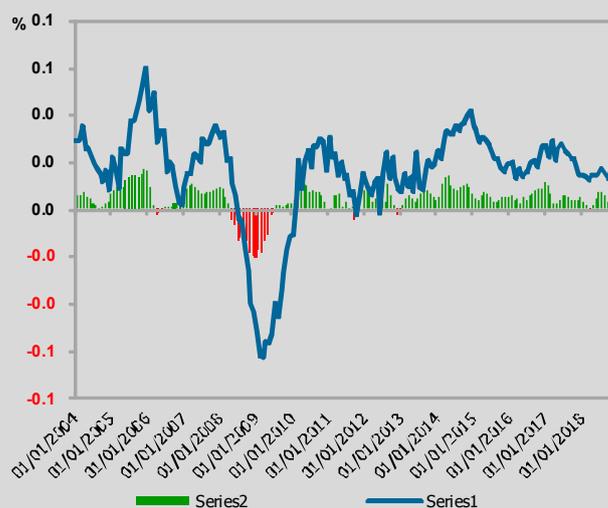
The UK Economy

UK GDP grew by 0.3% in the three months to November 2018, a slowdown in growth compared to the level recorded in the previous 3 month period. GDP growth was driven mainly by the services sector, with output in the manufacturing sector declining quite sharply.

The UK jobs market continues to perform strongly. The latest figures for September to November 2018 show that 32.5 million people were in work, this was up by 141,000 on the previous quarter (June to August). The employment rate rose to 75.8% the highest rate since comparable records began in 1971. The unemployment rate remained at 4.0% in the last quarter the lowest level since the beginning of 1975.

The tightness in the labour market seems to be finally having an effect on wage growth with the latest data showing that average earnings (including bonuses) were up by 3.4% on an annual basis. With inflation running at 2.1% (December 2018) workers saw an increase in their pay packets in real terms of 1.3%. This is welcome news for UK households and those sectors of the economy that rely on consumer spending. However, the long term squeeze on real household income is highlighted by the fact that real earnings are still below the 2008 pre recession peak.

UK productivity is growing albeit very slowly; productivity growth in in Q3 2018 slowed to 0.2% when compared to the same quarter a year ago. Whilst manufacturing experienced labour productivity growth of 1.7%, the significantly larger service sector only achieved 0.1%. The Q3 2018 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 wage growth and reversing some of the inroads made into households real incomes over recent years.



GDP
+0.3%
Sep - Nov
2018



Inflation
2.1%
Dec 2018



Bank Rate
0.75%
Jan 2018



£7.9bn
Trade Deficit
Nov 2018



Employment
+141,000
Sep-Nov

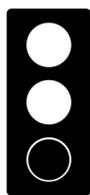
Business

Business Numbers Fall in 2018

The latest official business count (local units) figures for 2018 released by the Office for National Statistics (ONS), the figures show that during 2018 the total number of active businesses in the city fell by 2,440 to 41,955.

Nearly all of the decrease was accounted for by decline in the private sector, with public sector business numbers falling very marginally. The decline in business numbers was accounted for by a fall in the number of micro-businesses (employing 9 or fewer employees). There was minor growth in small, medium and large business numbers in the city.

Change in number of businesses 2017 - 2018



65.4 
Business Start-ups
per 10,000 Pop.



51.9% 
3 Year Survival Rate



48.8 
Business Deaths
per 10,000 Pop.



£8.1bn 
WM Exports
Q3 2018



13m 
Passengers in
2017

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 2018 shows the business activity index for the region remained subdued at 50.7 (a score above 50 denotes growth) marking a modest rate of expansion. The West Midlands posted the 4th lowest business activity index amongst the UK regions in December.

The latest Chamber of Commerce Quarterly Business Report (QBR) for the Greater Birmingham area for Q4 2018 indicated that despite some economic uncertainty businesses in the local area feel generally positive about business conditions and sentiment had improved or was broadly unchanged on Q3 for most business categories.

There was a welcome recovery in export levels amongst local firms in Q4 with 37% of firms reporting an increase in export sales in the last three months of the year, a 14% point increase on the 23% reported in Q3. However, looking ahead, businesses reported a fall in advance overseas orders.

The domestic market remained relatively robust with a marginal improvement in conditions since Q3. Business investment increased in the region at the end of 2018 and business confidence in terms of future turnover growth remained high despite the challenging economic climate.



People

Resident Employment & Unemployment

The latest data for Q3 2018 shows an improving labour market picture for the city. Working age (16-64) resident employment increased by 5,8600 compared to the previous quarter pushing the employment rate up to 65.3%. This is still well down on the national rate of 75.0% but the gap with the UK (9.7 percentage points) narrowed on the previous quarter.

Resident unemployment in the city fell by 800 in Q3 with the 16-64 unemployment rate down by 0.2% points to 7.0%.

The share of the workforce who are economically inactive (not in work or seeking work) decreased last quarter, falling by 4,900 to stand at 29.8% of the 16-64 population.



Average Earnings

The latest earnings data for 2018 shows that the average gross salary for a full time Birmingham resident stood at £27,954, an increase of 4.5% on 2017, above the national increase of 2.8% but also well above inflation which currently stands at 2.1%.



Those who work in the city earn more than Birmingham residents. In 2018 Birmingham workers average salary stood at £30,470; meaning a £2,516 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 2018 | Average Earnings 2018 |
|--------------------|-----------------------|
| N ^o | Rate |
| 471K | 65.3% |
| | 28,000 p.a |

Qualifications & Skills

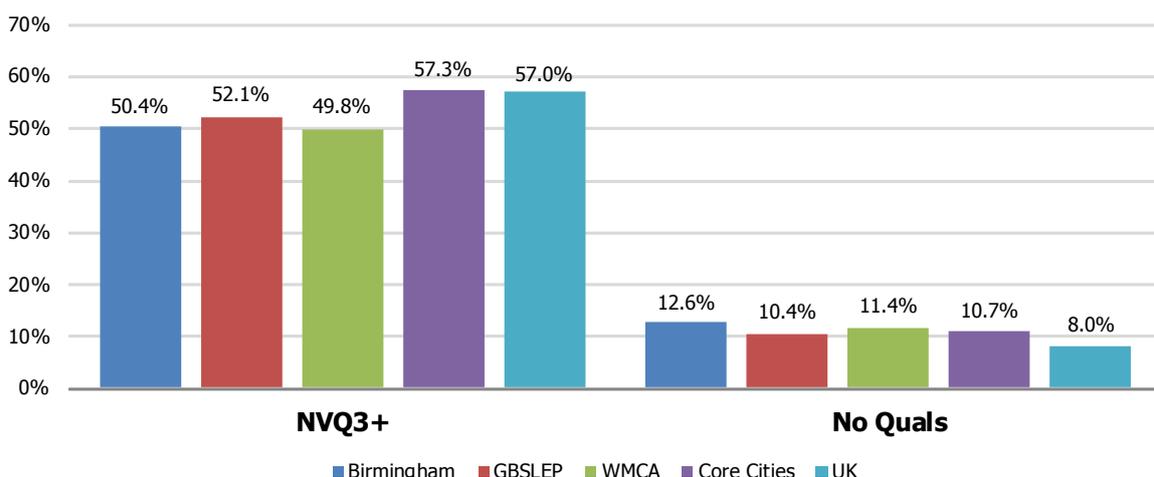
The comparatively high unemployment and low employment rates in the city are linked to the skills gap that exists locally with residents having lower skill and qualification levels than the national average.

compared to the UK (8.0%) and the core city average (10.7%).

The chart below highlights this showing how Birmingham (12.6%) has a greater proportion of working age residents with no qualifications

The city has seen a decrease in the number of residents with no qualifications in 2017 down by 10,900 with the rate falling by 1.6 percentage points to 12.6%. The number of residents with NVQ3+ qualifications rose by 17,000 and the rate increased by 2.0% points to 50.4%.

Qualification Levels - 2017



Place

Visitor Economy

Figures from the Regional Observatory part of the West Midlands Growth Company show that 2017 was a record year for Birmingham's visitor economy. Visitor numbers increased by 2.7% to 41.8 million in 2017. It is estimated that visitor spend in the city rose to £7.1bn, supporting around 75,000 jobs.



Record Visitor Numbers

41.8 million

House Prices - November 2018



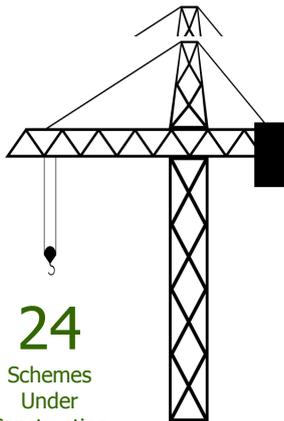
Birmingham
+6.4%

| | Monthly Change | Annual Change |
|----------------|----------------|---------------|
| Birmingham | 0.0% | +6.4% |
| West Midlands | -0.4% | +4.6% |
| United kingdom | -0.1% | +2.8% |

Development Activity

The latest data from the 2018 Deloitte Birmingham Crane Survey which looks at development activity across central Birmingham shows that in 2017 there were 24 schemes under construction, down marginally on last years total of 25 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 well over 1 million square feet for the second consecutive year. The residential market in the city has seen a surge in activity with over 4,000 units under construction, nearly ten times the 10 year average (441). The survey also points to a strong office pipeline with 1.2m sq. ft. of new office floorspace to come to market in the next two years..



24
Schemes Under Construction

Office Space
1.4m Sq. Ft.
Under Construction



Housing Units
4,078
Under Construction



Hotel Rooms
334
Completed



Student Rooms
1,782
Under Construction



Office Market - Steady Take-up in 2018

Birmingham's office market finished 2018 on a strong note with take up in Q4 outstripping levels recorded in in the first 3 quarters.

The surge in take up of 278,000 sq. ft. in Q4 pushed the total take up recorded in the city in 2018 to 754,129 sq. ft. Down on 2017s record breaking 1m sq. ft. take up but in line with the 10 year average

2018 Q4 Take-Up

277,790 sq. ft.

Economic Policy Economy Directorate

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