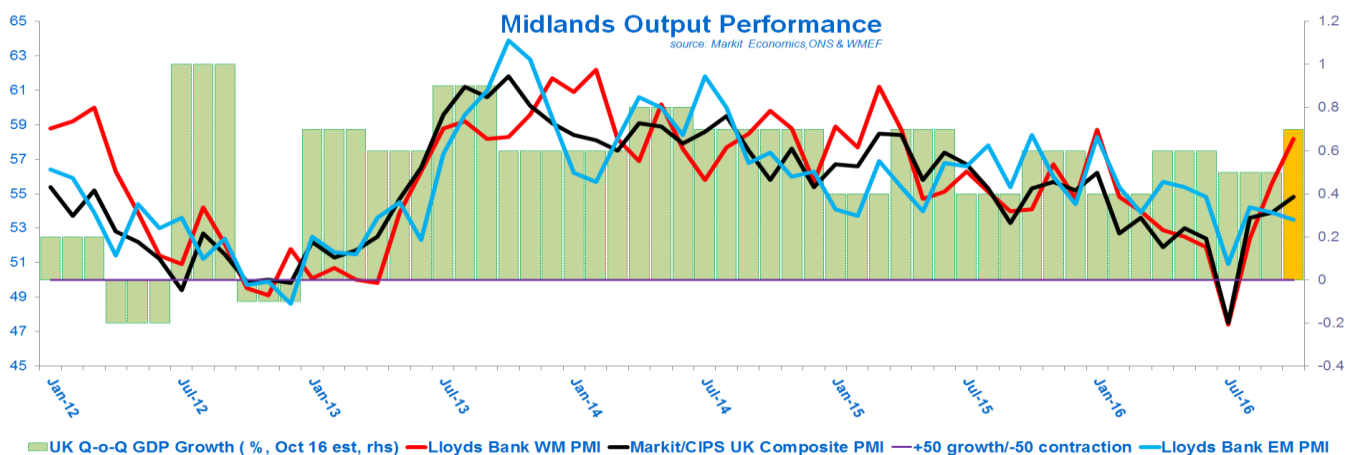


## ***Region posts further sustained strong growth in October***

According to the latest Lloyds Bank regional PMI for October released today:

- WM PMI rose to 58.2 in October from 55.6 previously
- Activity increasing at fastest rate since start of the year
- Expanding New Business due to firmer economic conditions & £ depreciation
- Both Input & Output prices accelerating at fastest rate since 2011
- EM PMI eased to 53.5 in October from 53.9 previously
- Growth prospects in both EM & WM remains strongly positive



Performance across the English regions was firm at the beginning of the Fourth Quarter, with business activity accelerating further. The WM region was again amongst the leading performers, with economic activity appearing to expand at a faster rate than that achieved nationally.

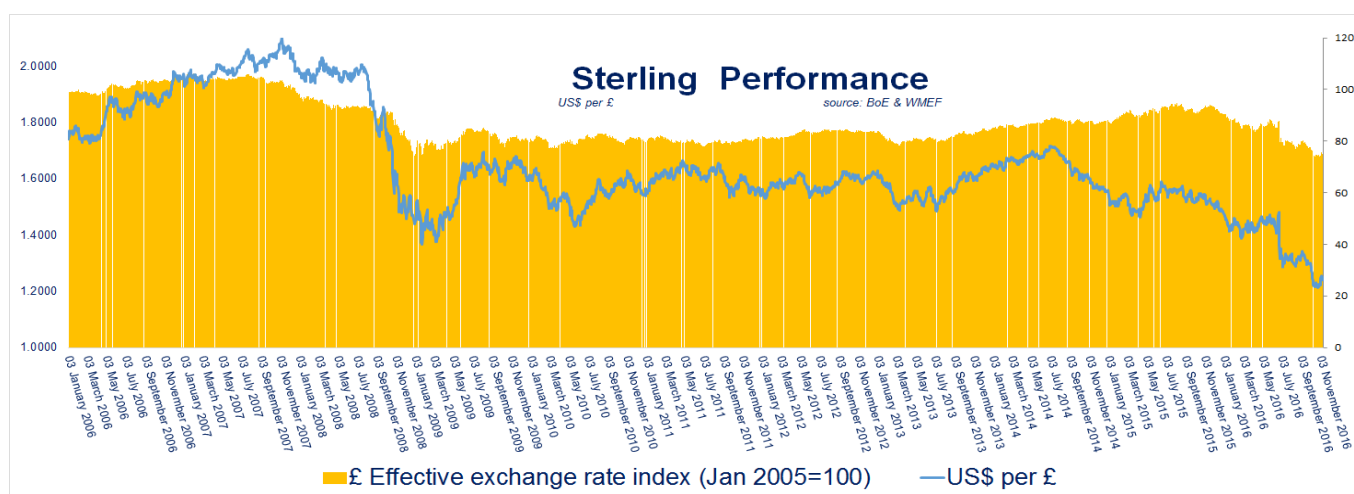
The impetus for this strength of business activity was attributed to gains in international attractiveness with the depreciation of £ seen as the principal factor for this, as demand for British products and services firmed. Nevertheless, the weaker trading range of the currency since the end of June was seen as the main cause of the tightening of input process, which has now recorded the largest increase in average price levels in five and a half years.

In the WM private sector performance increased further in October, with output and new business growth rates speeding up. Enterprises in the region also boosted

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employment levels, notwithstanding work backlogs remaining at the same level since September. Although levels of private sector employment increased again, with 13% of all companies indicating that they had added to payrolls, this was largely the result of services providers increasing staff establishment as there was a marginal decline in manufacturing payrolls. These trends were replicated in the EM, where labour demand month-on-month recorded the stronger increase in England. Tightening labour market conditions across the Midlands have yet to be seen to be contributing to price pressures.

Overall economic growth was 0.5% in the third quarter, and although this was at a weaker rate than that achieved in the second, performance was much stronger than many commentators forecast as a result of the Brexit impact. Indeed, ONS data to date suggests that the impact of Brexit has been muted, although the rate of recovery over the past few years has been disappointing, with productivity growth particularly worrying. The main driver of growth was the services sector, with the recent positive growth trend bringing GDP to 8.2% above the pre-downturn level. However, official data continues to highlight the relatively slow recovery in other output sectors. In terms of productivity, recorded output per hour worked grew 0.6% in the third quarter, an increase on the previous quarter with output per hour exceeding 2008 levels for the first time. Official estimates of comparative productivity, for 2015, suggests that the UK remains 18 percentage points lower than that achieve on average by G7 economies.



The £'s recent recovery since the election of President Trump appears to be a temporary boost, and unlikely to offset recent upward price pressures. With both £

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and US\$ now heavily influenced by market perceptions of political impacts, relative currency differentials are likely to be volatile at least until the Presidential inauguration and the timing of the eventual activation of Article 50 to trigger Brexit.

The future direction of £ and indeed regional growth prospects will obviously be heavily determined by the Chancellor's Autumn Statement (23 November) and whether a serious commitment to rebalancing the economy through a comprehensive industrial strategy is demonstrated.

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Quotes:

**Professor Julian Beer, Deputy Vice-Chancellor at Birmingham City University,** said: "Today's regional PMI demonstrates further both the resilience of the regional economy and the impact of Sterling's depreciation. Although Sterling has firmed in recent days, the current trading range for the currency places the region at an advantageous position going forward into next year.

Productivity remains of concern, with growth rates becalmed. Only with a serious and comprehensive strategy to tackle infrastructure and skills deficiencies will the region be able to tackle the so-called productivity puzzle. Universities will prove critical in providing support to businesses to improve productivity and sustain competitiveness. Critical to the effectiveness of this will be the direction of economic policy outlined in next week's Autumn Statement."

**" ENDS**

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Notes:**Birmingham City University:**

Birmingham City University is a dynamic, business-engaged institution. As a substantial employer with over 2,000 staff and through the provision of graduate talent, research and knowledge transfer, we contribute around £180 million to Birmingham's gross domestic product (GDP).

The university works with in excess of 5,000 businesses, regionally, nationally and internationally, with our courses informed by Industry Advisory Boards, where information about business needs are reviewed and skills challenges are discussed. In 2015 we launched Advantage, the business growth service from Birmingham City University enabling organisations and individuals to get connected with knowledge, skills and money in business, innovation and enterprise.

We have extensive sector linkages providing detailed intelligence and input into future innovation, driving thinking around smart specialisation, the creative economy, advanced manufacturing and health-related life sciences. Through our work with partners such as the GBS LEP, WMCA, Science City, and Creative City Partnership, we take a lead on cross innovation, design and climate change. Innovation is at the core of our work. Working in partnership is at the core of our approach to business.

**Midlands Economic Forum:**

The Midlands Economic Forum is a neutral, independent forum bringing together representatives of the public, private and voluntary sectors to evaluate real trends in the local economy. Midlands Economic Forum is part of the West Midlands Economic Forum Group.