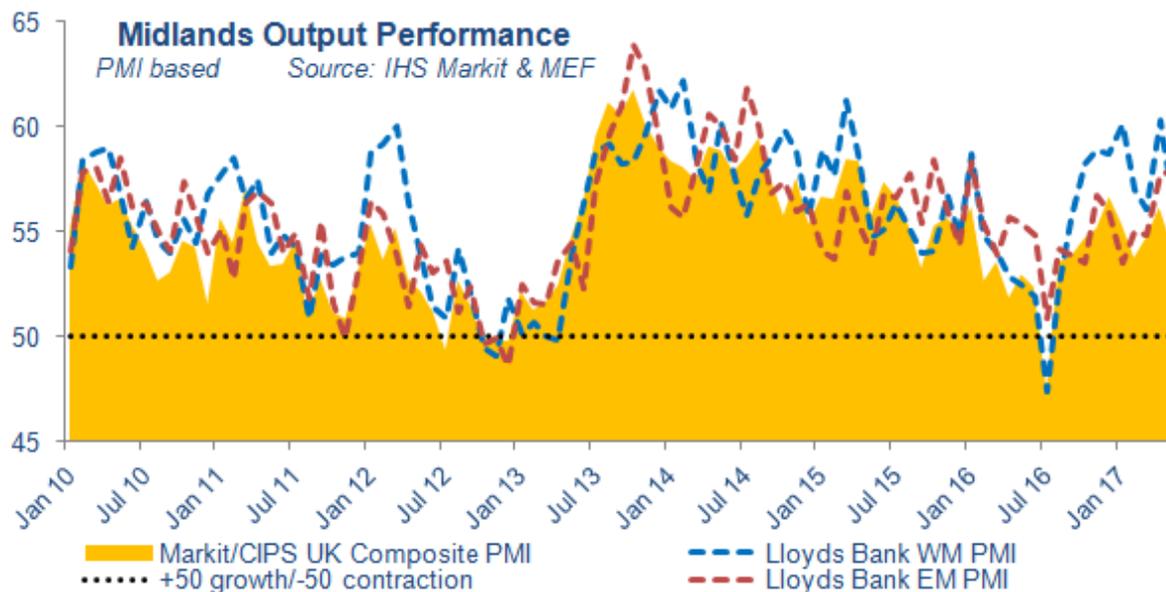


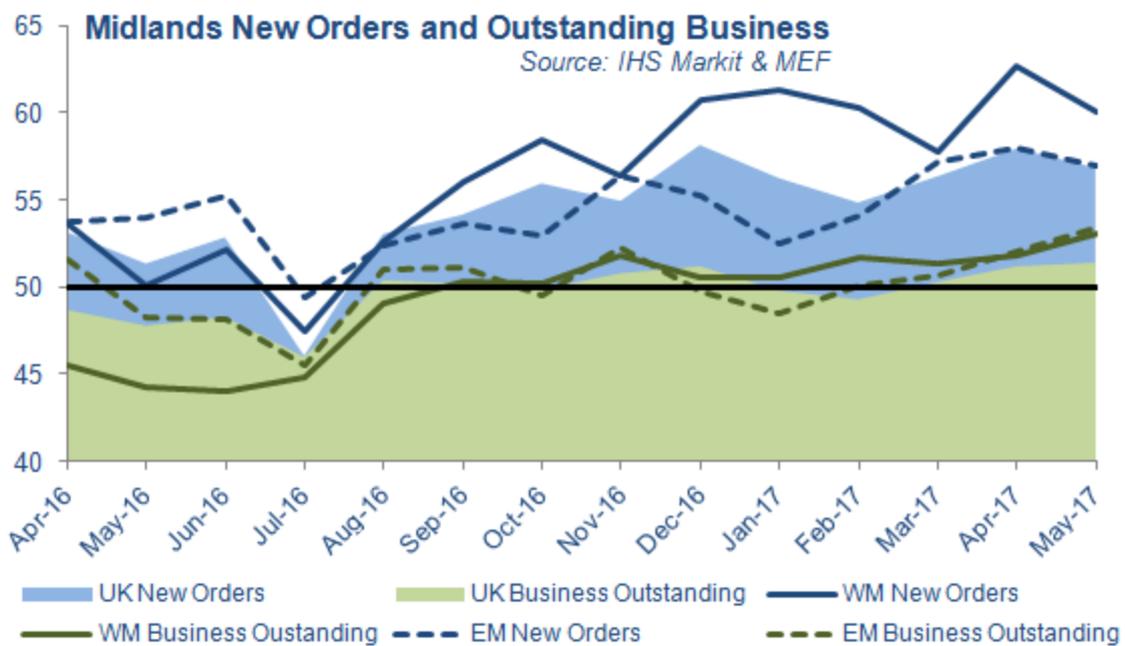
Midlands Growth Continues to Outperform the UK

- The hung parliament result of last Thursday's General Election is likely to affect business confidence in the near-term, and concerns are already arising around its impact on the beginning of the Brexit negotiations.
- The EM PMI showed strongest output growth in the UK, slightly up to 56.9 in May from 56.8 in Apr.
- The WM was the third best performing region in the UK, softening to 56.5 in May from 60.3 in Apr.
- The UK's overall performance also softened, down to 54.4 in May from 56.2 in Apr.
- Input cost inflation slowed in May across the UK, although there were still some rises, attributed to Sterling weakness, input costs and labour costs in the Midlands.

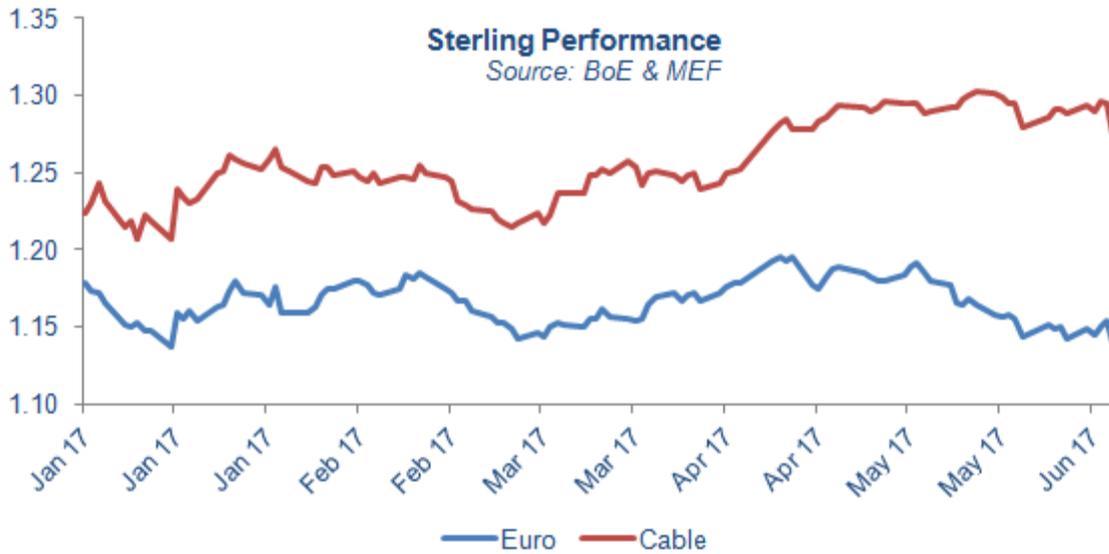
The Midlands showed among the strongest output performance according to the latest Lloyds Bank Regional PMIs, with the EM and the WM recording the highest and third highest regional PMI values in the UK respectively, at 59.9 and 56.5. This reflects a slight uptick for the EM, from 59.8 in April, and a softening for the WM, from 60.3 last month. Overall performance in the UK softened somewhat since April, possibly due to the uncertainty surrounding the General Election, with the composite UK PMI falling to 54.4 in May from 56.2 in April.



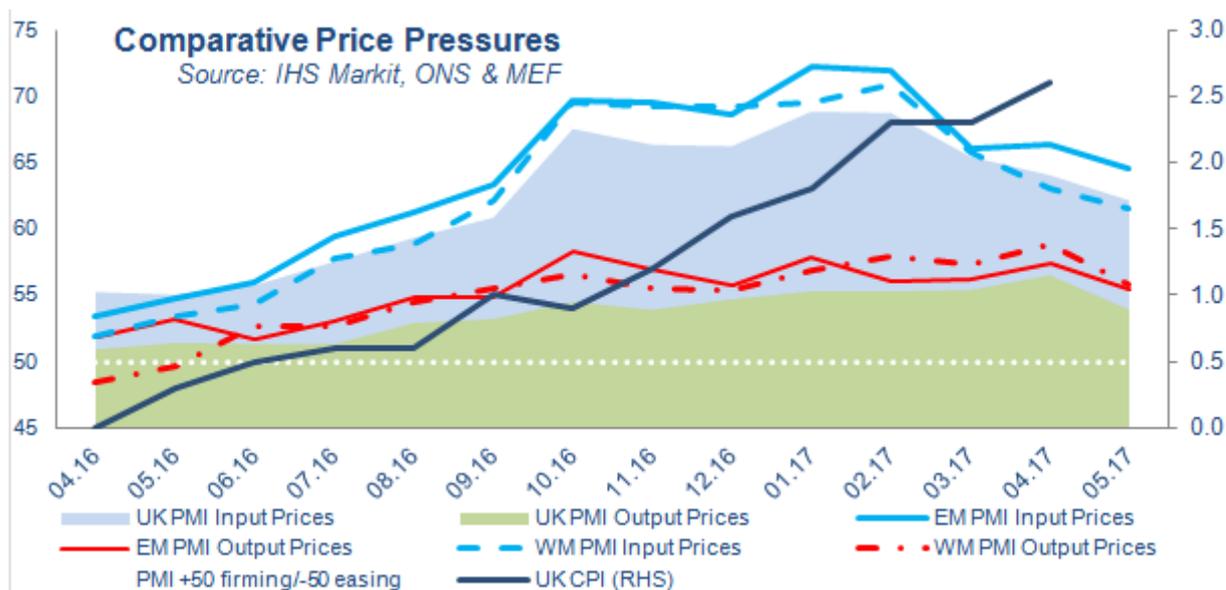
The growth in the Midlands' PMIs was largely driven by increases in new orders, which rose faster than in the UK overall in May, although at a slightly lower level than in April. In particular, manufacturing companies reported rises in new business, which was reflected in the UK Manufacturing figure of 56.7 in May, slightly down from 57.3 in April – a three year high. New export orders were particularly strong in May, with manufacturers' efforts to seek new foreign markets yielding good results. The rise in new business also led to a sharp rise in business outstanding – notably in the EM which was one of the sharpest rises on record. The increases in backlogs will most likely impact on employment demand; in the Midlands there were sharp rises in employment levels in May.



The resulting hung parliament in last Thursday's General Election results will create some uncertainty in the near-term, if not further into the future, as it raised the possibility of a second General Election this year, and disruption to the Brexit negotiation process. Sterling fell following the election result, although not as sharply as it did following the EU referendum last year. Some commentators have suggested that the possibility of a softer Brexit with a Conservative minority government may have reduced the fall in Sterling to a small extent.



If the Sterling does fall into a new, lower, trading range, then price pressures on businesses, which until recently had been softening, could once again become acute. Input price rises were attributed to Sterling conditions, raw material costs and staff costs in the Midlands. Output prices growth in the Midlands remained higher than in the UK overall in May, as input prices were passed on to customers, but growth has softened since the peak at the beginning of 2017. Price rises were sharper in the production sectors than the services sectors, this could partly explain the faster growth in the Midlands than the UK overall, with its strength in the production sectors. This was borne out in the producer price inflation figures for May.



Comments:

Julian Beer, Deputy Vice Chancellor of Birmingham City University said “It is good to see the region’s strong performance continuing, as shown by this month’s PMIs. The

unclear outcome of the General Election results last week, as well as the Brexit negotiation process due to begin soon, will cause some uncertainty in the near term, but I believe that the resilience of the Midlands economy will soon bear through.”

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.

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