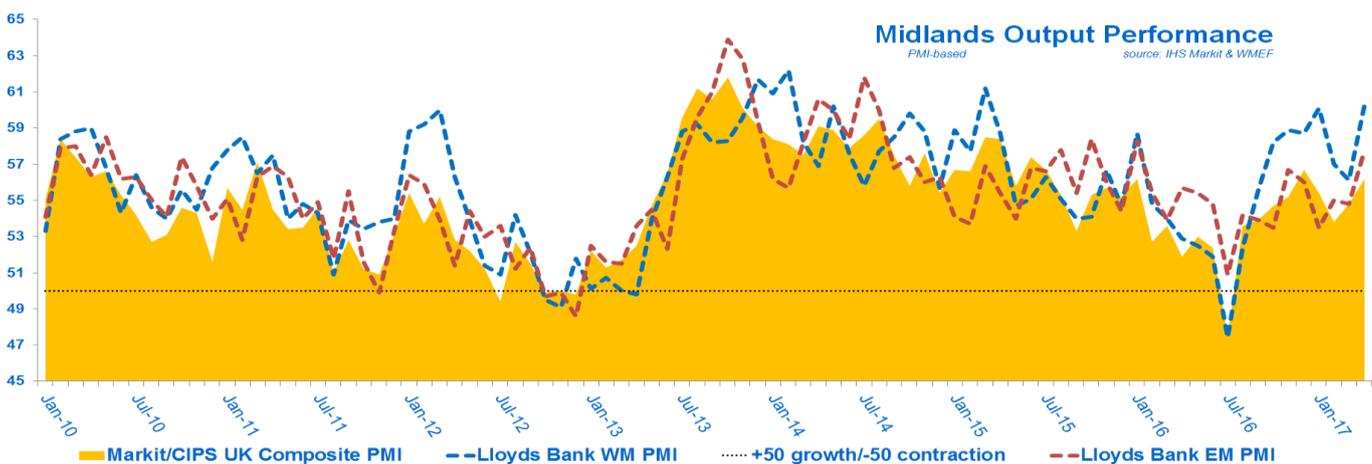


## **Regional output performance accelerates further in April**

- Market sentiment improves following French Presidential election result and comforting opinion poll projections of Conservative general election victory.
- Recent wave of malware attacks highlights the fragility of platforms to expand Manufacturing Servitisation and associated Intelligent Manufacturing, suggesting need for greater national internet autonomy.
- The WM was again the strongest regional performer, with the WM PMI increasing to 60.3 in April from 56.1 previously.
- EM was the second most robust region, with the EM PMI recording 56.2 in April, compared to 54.8 previously.
- EM output growth reached a 15-month high, and the rate of new orders growth rose for the third consecutive month.
- WM new orders accelerated at the most rapid rate since February 2014 and employment levels reached a two-year peak.
- ONS experimental regional services sector exports data provide disappointing results for the Midlands, given the vibrancy of regional merchandise exports.



The Midlands, EM and WM, recorded the strongest regional output growth according to the latest Lloyds Bank Regional PMIs. In the WM growth accelerated further with output increasing at the fastest rate in two years, the WM PMI recording 60.3 in April (the strongest nationally) from 56.1 in March.

Although inflationary pressures stabilised, price pressures remain tight and there is evidence of producers feeding increased costs through to consumers. However, confidence about future business prospects firmed further, bolstered by both business activity and new orders growth rates, which exceeded current UK averages. Output performance was similarly robust in the EM, with the EM PMI reaching a 15-month peak in April at 56.2, from March's 54.8 (the second strongest in the UK). Price pressures continued to prove challenging, however overall private sector performance was boosted by continued rapid growth in output, new orders and employment take-up.

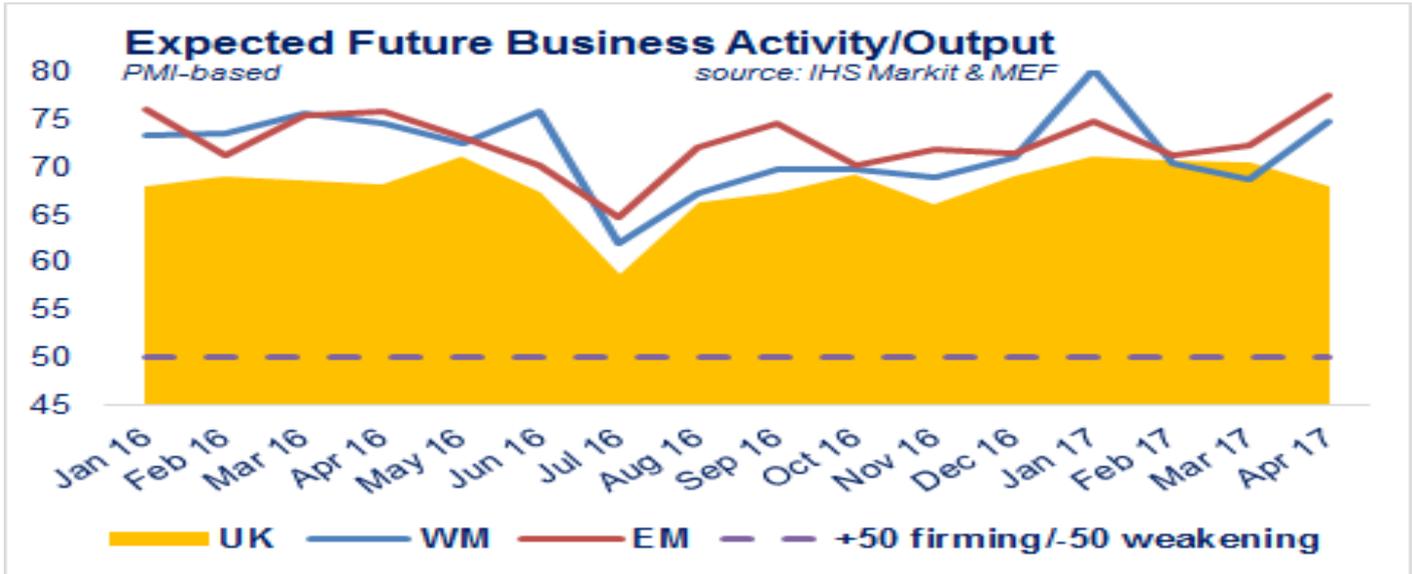
### Quotes:

***Professor Julian Beer, Deputy Vice-Chancellor at Birmingham City University, commented: "The release of today's regional PMIs again underscores the resilience and vibrancy of the East and West Midlands economies. Business sentiment regarding future output prospects remain robust, notwithstanding Brexit, and output, new orders and employment growth highlight the strengths of the regional economy. Critical will be the policy response adopted to accommodate and sustain this growth after June's general election, but nevertheless prospects appear extremely favourable"***

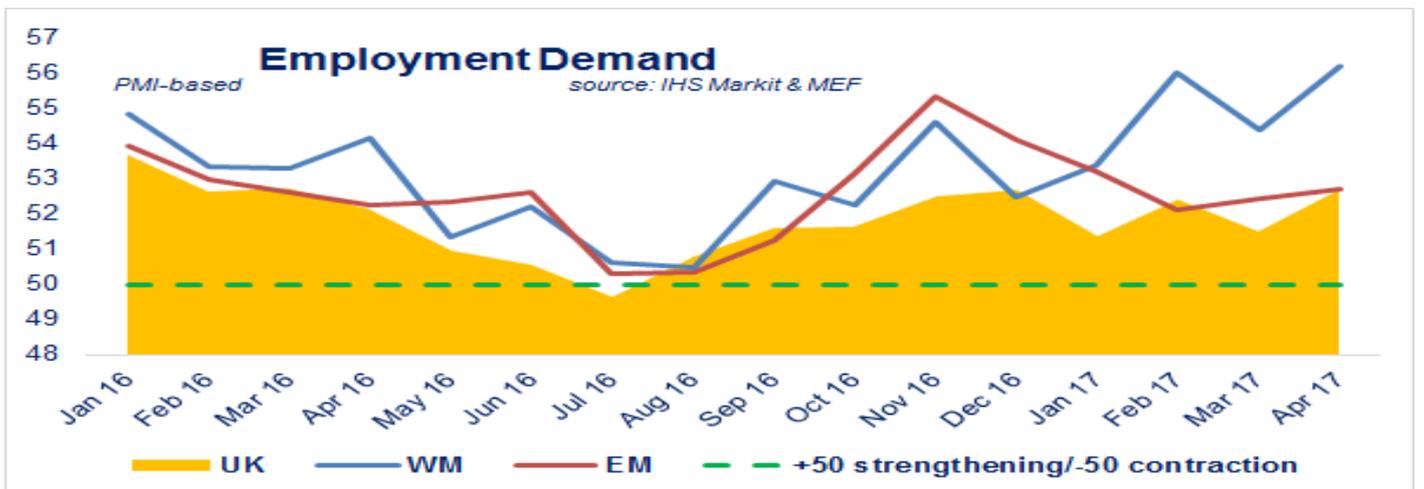
In contrast to PMI data over the first four months of the year, official data provides a more constrained picture of economic activity. Noticeably, despite more vigorous growth in the final quarter of 2016 (0.3%) in the first quarter of this year production increased by 0.1%, with a monthly fall recorded of -0.5% in March. The discrepancy, in part, is that much of the production decline has been in the oil-related sector, and not in industries concentrated in the Midlands, notwithstanding problematic conditions in the basic metals sector.

Whilst imported inflation appears to be easing, as Sterling stabilises and some global commodity prices soften, price pressures in the first four months of the year appear to be firmer in the EM and WM, in part perhaps due to tightening global metals prices, than Britain overall.

Expectations of future business have firmed since the EU Referendum result in June last year, although noticeably sentiment remained positive throughout the campaign period and in contrast to that nationally, has firmed further since the activation of Article 50 in March. Although, qualms may emerge during Brexit negotiations, which are now expected to concertina between commencement in October 2017 to conclusion in October 2018.



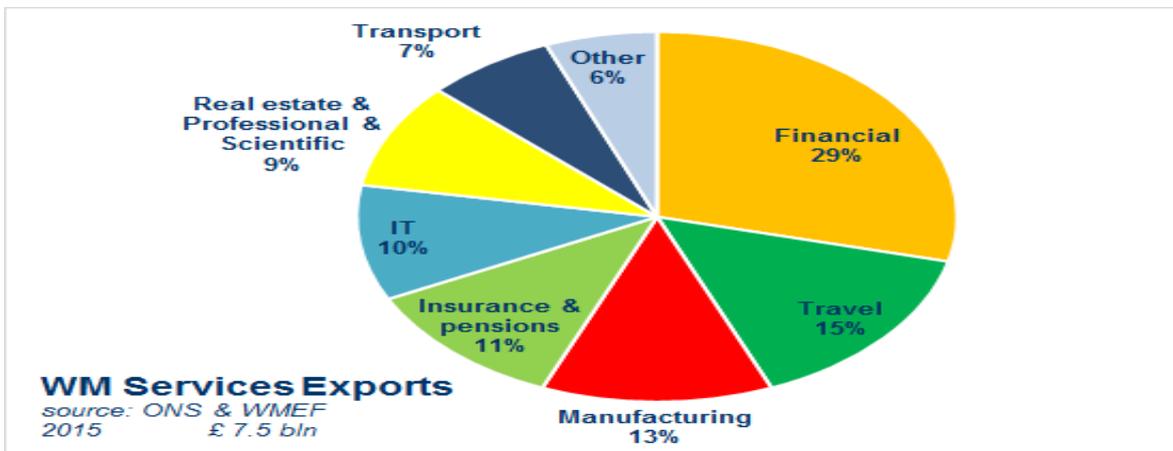
Whilst business sentiment is susceptible to political events, the proroguing of Parliament in May and the General Election scheduled for June 8<sup>th</sup> may not have an immediate impact as current opinion polls indicate a substantial Conservative majority. However, the pitch for the centre, if not centre-left ground by the Conservatives, and the associated attempt to woo Labour heartlands, may unsettle business assumptions regarding the direction of future government policy.



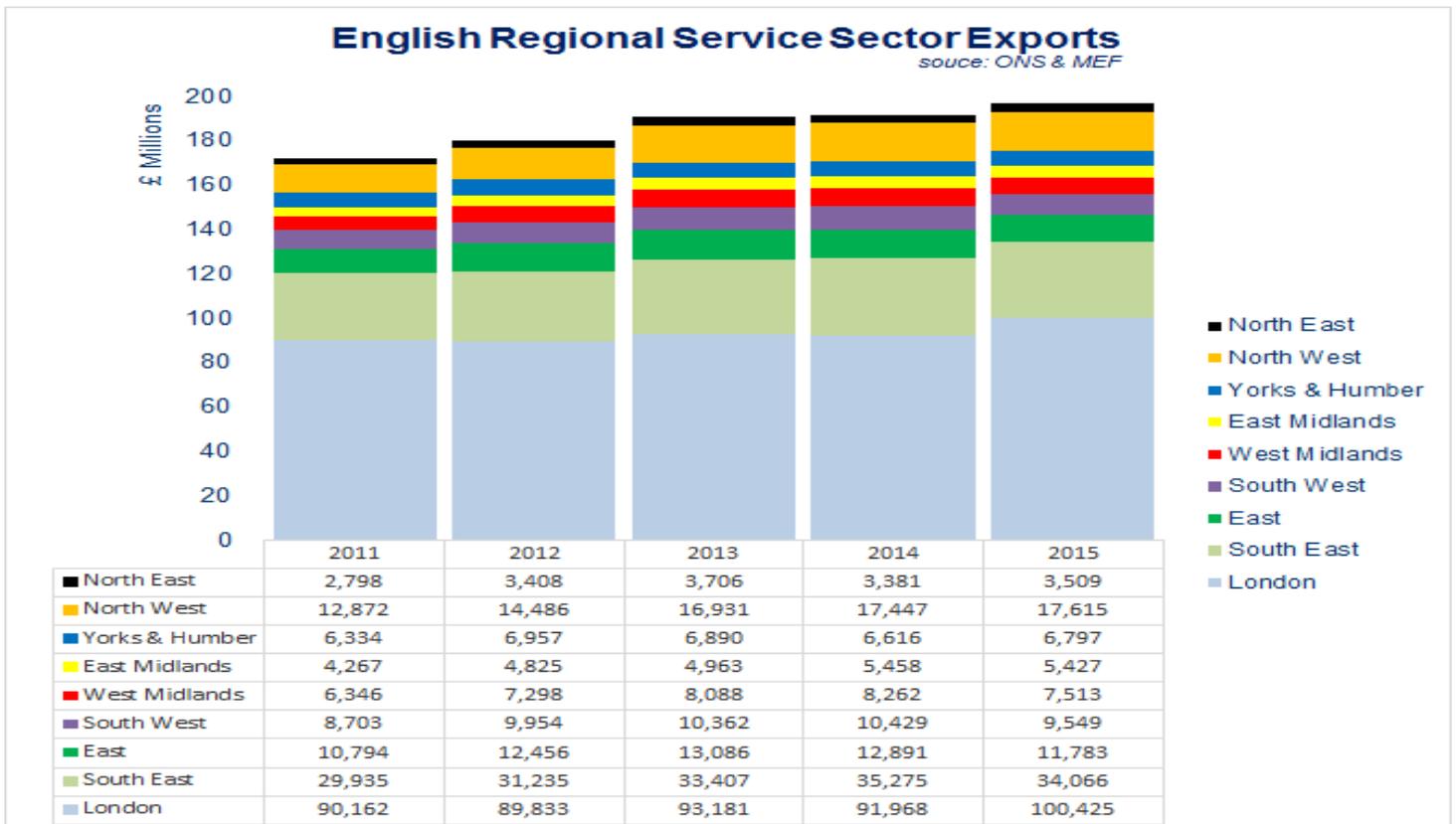
Regional employment demand eased in the period up to the EU Referendum although, according to PMI-based data, at a slower rate than that recorded nationally. However in the period subsequently it has expanded at a vigorous rate, with demand in the WM particularly stronger. Nevertheless, demand appears to be volatile and apparently particularly susceptible to political factors, as demand eased as the deadline for activating Article 50 approached.

The latest experimental data release by the ONS on regional services sector exports provide disappointing reading for the Midlands. In 2015, the EM and WM were estimated to provide 2% and 3% of total national service sector exports respectively.

Understandably, London provides the bulk of service sector exports, but with London and the South East estimated to provide close to 62% of all services sector exports seems to overstate their importance. Indeed, the fact that financial services provide close to 27% of EM services exports, and almost 29% of such WM exports, suggests the impact of Manufacturing Servitisation and the generation of regional services exports by non-financial sectors is not being adequately captured.



The impact of HQ results reporting may also be a factor.



**ENDS**

<b>Press Contacts:</b>	
<i>Peter Cameron, BCU</i> <i>T: 0121 331 7644</i> <i>E: <a href="mailto:Peter.Cameron@bcu.ac.uk">Peter.Cameron@bcu.ac.uk</a></i>	<i>Paul Forrest, MEF</i> <i>M: 07738 324 517</i> <i>E: <a href="mailto:paul.forrest@midlandseconomicforum.co.uk">paul.forrest@midlandseconomicforum.co.uk</a></i>

**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.

**Disclaimers**

*The analysis presented in this report accurately represents the personal assessment of the analyst(s) and no part of the compensation of the analyst(s) was, or will be directly or indirectly related to the inclusion of specific views in this report. Further information is available on request. The information contained, and any views expressed, herein are based on data currently available within the public domain. The contents of this Report are not a substitute for specific advice and should not be relied on as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.*