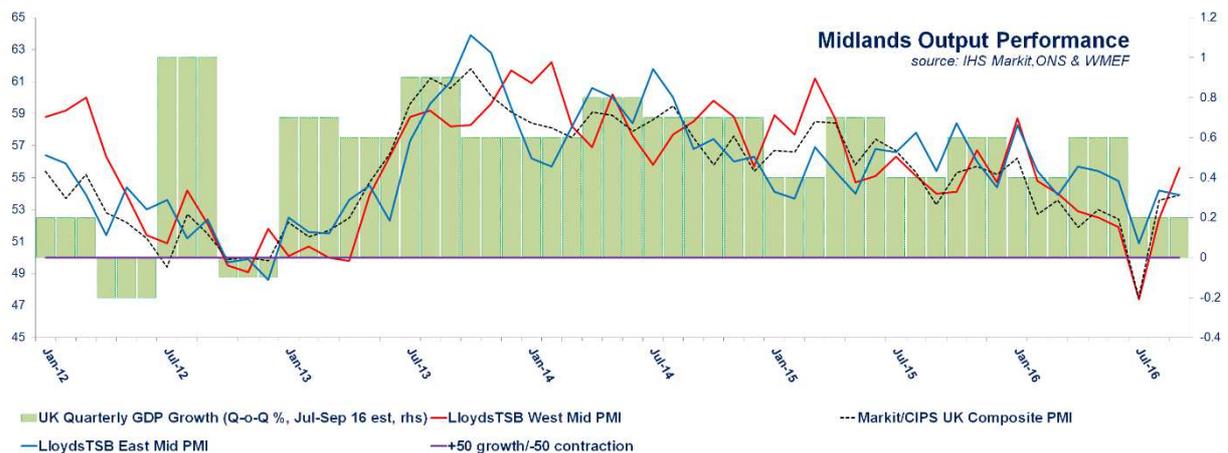


Region posts strongest growth in September

The West Midlands economy was the strongest performer (alongside Yorkshire and Humber) in September, posting 55.6 in the latest PMI, out-performing that nationally (53.9). The East Midlands also recorded firm growth. Moreover, at a national level the strength of recovery in both August and September, following the sharp contraction in July after the Brexit referendum result, indicates that while there may be some moderation in Q3 GDP growth, fears of recession may be overblown.

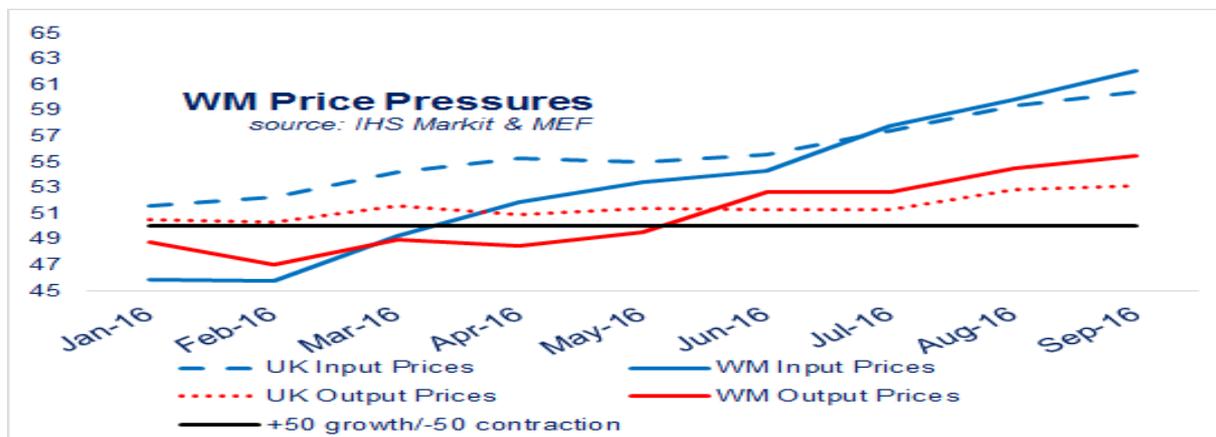
Nevertheless, despite the resurgence shown in the regional PMIs, and similar readings in the national Manufacturing, Construction and Services PMIs, the volatility and continued erosion of Sterling continues to cast doubt on medium-term growth prospects.



The ultimate impact of recent Sterling performance will remain hard to discern until current volatility eases and the currency settles into a new trading range. However, already the international competitiveness provided by the depreciation since July, has contributed to the acceleration in the Midlands of new business orders, in part due to reviving export orders, which has led to some build-up of work backlogs and tightening labour market conditions. Moreover, overall this performance has been broadly based across both manufacturing and services sectors.

The downside of Sterling's fall has been, given the UK's import dependency, a substantial tightening of price pressures, most notably for inputs, many of which are imported, but also because these costs are starting to be passed on to consumers with output prices firming. There also appears to be sectoral and geographic variations.

With its apparent and more immediate dependency on imports, manufacturing prices are said to have been increasing at a greater pace than those in the services sector.



Additionally, with regional distinctiveness of industry sector concentrations, there appears to be a widening of price differentials regionally. In the case of the West Midlands, given heavy bias towards manufacturing and related services, inflation benefitted from the global weakness of commodity prices earlier in the year. However this has been partially offset by the currency depreciation and West Midlands input and out prices have risen at a faster rate than that nationally since June. Given the region's significant role within global value-added supply chains the impact is probably more rapid than in other more domestically orientated ones.

Quotes:

Professor Julian Beer, Deputy Vice-Chancellor at Birmingham City University, said: "The turnaround since the immediate post-referendum gloom of June, in both economic performance and potential prospects has been remarkable. Regionally, both the West and East Midlands have been recording vigorous growth, according to the latest PMI data. Prospects for the onset of a recession in the third quarter now appear to be largely dissipated. However, more than ever the medium-term economic outlook is going to be heavily influenced by political facts, both domestic and international. In Britain, and particularly for a major exporting region such as the Midlands market sentiment to the ongoing Brexit negotiations will have a considerable bearing on future investment and prospect. Whilst the US Presidential

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election will have wide-ranging ramifications for not just trade and the economy.”

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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,

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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.