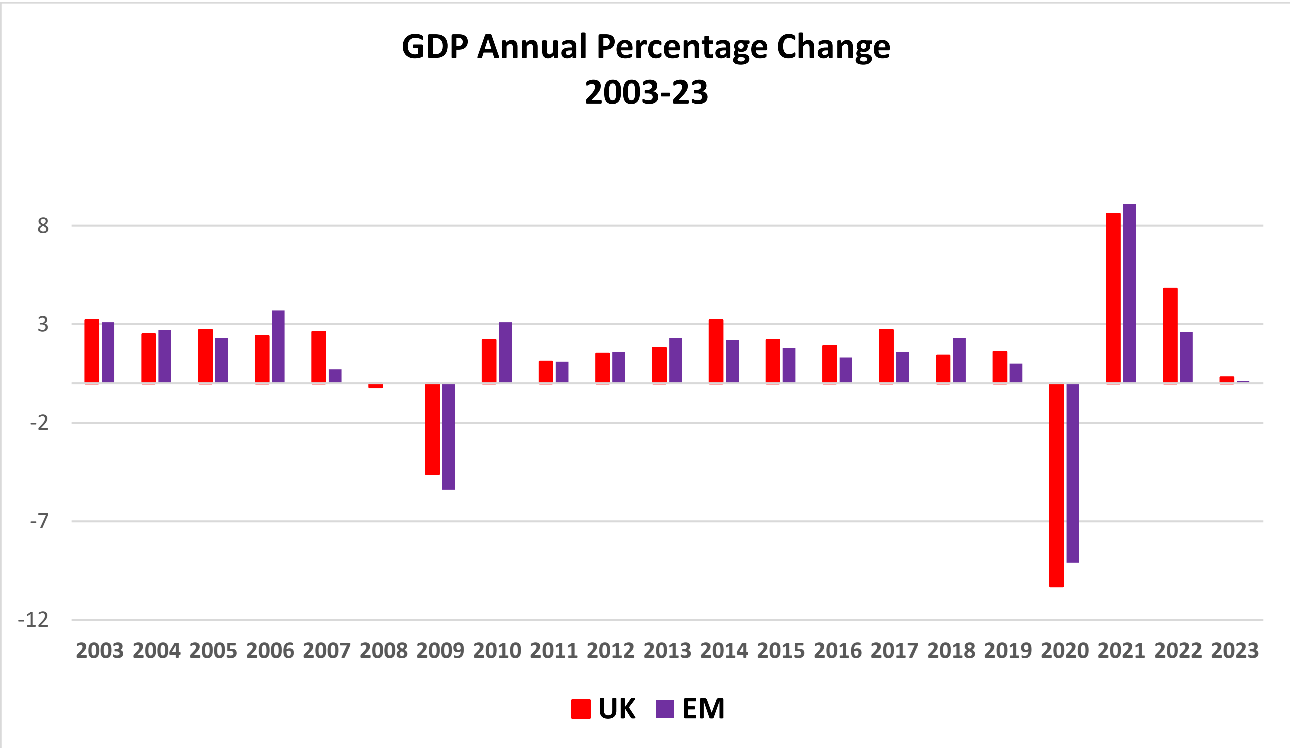
Background

1. The East Midlands is now a region of 5.1 million people (bigger than Wales & Northern Ireland combined) and 403,000 businesses[1]. Total regional output in 2023 (as measured by GDP) was £157bn, equivalent to 5.8% of the UK economy. The East Midlands employment rate is consistent with the UK average at 75.0% Median weekly earnings are below the UK average: £721 pw compared to £767pw. 10.1% of the workforce work in manufacturing, compared with 6.7% for the UK – although this percentage has declined significantly over the last 20 years. The region's unemployment rate has risen recently to above the UK average: currently at 5.5% compared to 4.9%.

Growth

2. GDP growth in the East Midlands over the last 20 years has been better than most other regions/nations and generally close to the UK average.

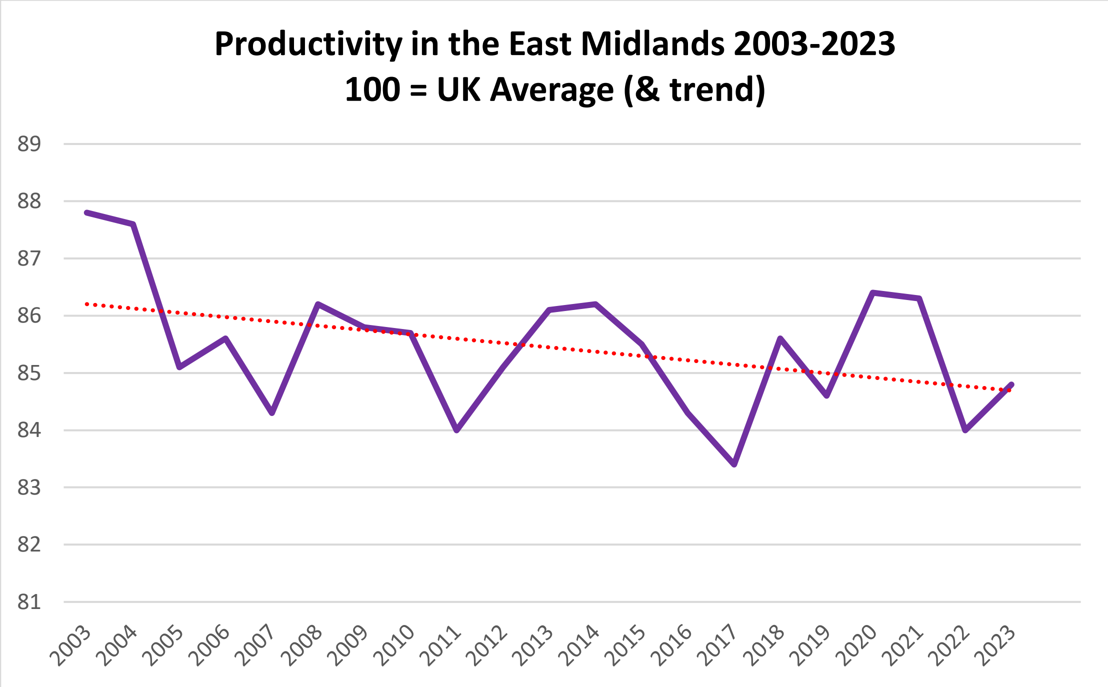


Source: [Regional gross domestic product: all ITL regions - Office for National Statistics]

[1] https://commonslibrary.parliament.uk/research-briefings/sn06924/

Productivity

3. Productivity has remained below the UK average over the last 20 years and has been on a declining trajectory relative to the UK - currently to 84.8% in 2023[2].



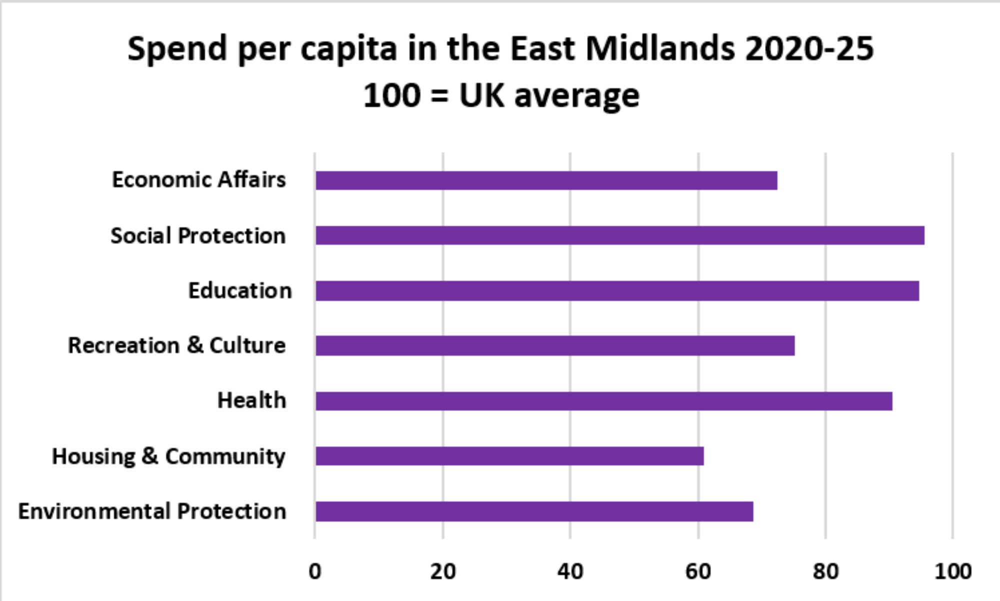
Source: [Annual regional labour productivity - Office for National Statistics (ons.gov.uk)]

4. The population of the East Midlands grew by 7.7% in the period 2011-21: at the same rate as London and faster than the South East and the West Midlands. The latest sub-national population projections suggest that above English average growth is set to continue, with the East Midlands population expected to rise by 6.75% between 2022 and 2032[3] The region has therefore been growing its economy by growing its population - not by becoming more productive.

Public Investment

5. The Treasury publishes an annual Public Expenditure Statistical Analysis (PESA) every July on where public money (capital and revenue) is spent and on what, in the previous financial year.[4] The data has the status of 'National Statistics' as defined by ONS and has been published on a broadly consistent basis over several decades. Over period 2020-25 total spend per head in the East Midlands on the functions listed below were all below the UK average.

[2] Annual regional labour productivity - Office for National Statistics (ons.gov.uk)
[3] Subnational population projections for England - Office for National Statistics
[4] CP 1363 – Public Expenditure Statistical Analyses 2025



Source: Public Expenditure Statistical Analyses 2026 – CP 1624

4. Table 1 shows the total identifiable expenditure on services per head in real terms, 2020-21 to 2024-25. Broadly defined as the total public spend per head; examples include spending on health, transport, economic affairs, education, and social protection.

5. Between 2020-21 to 2024-25, national government public expenditure in the East Midlands has remained consistently below the UK and England average, and £1,000 per head less than the West Midlands.

Table 1: Total Expenditure on Services (Real Terms, £ per head)

	2020-21	2021-22	2022-23	2023-24	2024-25
London	15,582	13,711	14,406	14,718	15,217
North East	13,523	12,123	13,027	13,573	14,102
North West	13,470	12,127	12,884	13,291	13,835
UK	**13,371**	**11,853**	**12,552**	**12,944**	**13,504**
West Midlands	12,771	11,377	12,143	12,620	13,160
England	13,094	11,489	12,219	12,603	13,134
Yorks & Humber	12,511	11,007	11,836	12,180	12,783
South West	12,428	10,774	11,445	11,881	12,432
East	12,395	10,647	11,361	11,772	12,296
East Midlands	**12,043**	**10,476**	**11,236**	**11,613**	**12,158**
South East	12,270	10,595	11,238	11,544	12,031

6. Table 2 show the level of expenditure on economic affairs, per head for 2020-21 to 2024-25. This area of expenditure includes enterprise and economic development, science and technology, employment policies, agriculture, fisheries and forestry, and transport.

Table 2: Expenditure on Economic Affairs (£ per head)						Per Head (indexed)
	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-2025**	
London	4.334	2,367	2,687	2,139	1,859	151
UK	**3,051**	**1,472**	**1,827**	**1,332**	**1,233**	**100**
England	3,054	1,440	1,796	1,311	1,191	97
West Midlands	2,708	1,325	1,702	1,249	1,170	95
South East	3,087	1,441	1,779	1,300	1,151	93
North West	2,747	1,334	1,726	1,261	1,213	98
East	3,090	1,392	1,723	1,252	1,180	96
North East	2,538	1,138	1,624	1,118	984	80
Yorks & Humber	2,625	1,114	1,488	1,025	924	75
South West	2,808	1,138	1,454	991	899	73
East Midlands	**2,543**	**1,011**	**1,385**	**881**	**822**	**67**

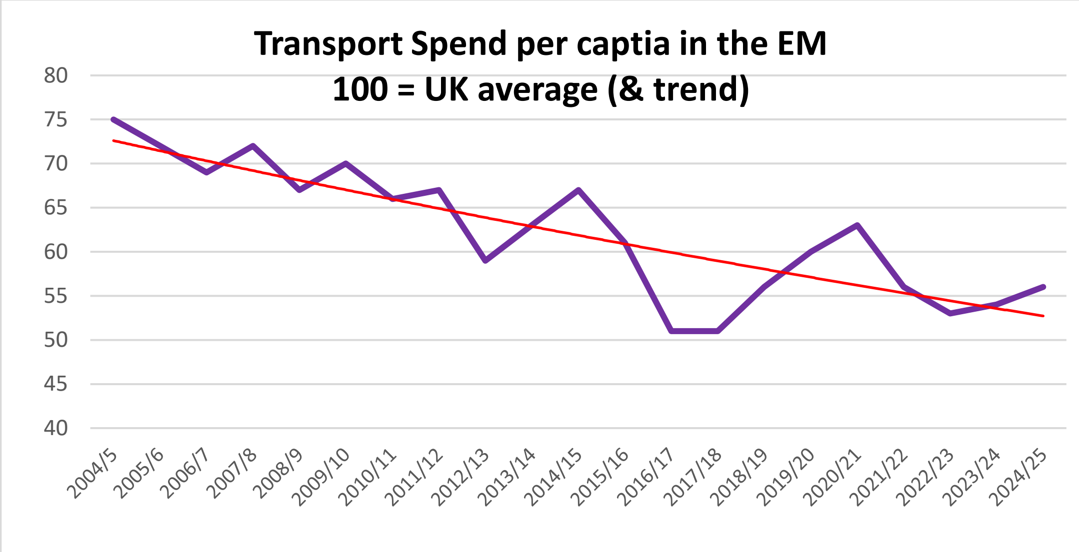
7. For this important element of public investment, it is not solely that the East Midlands is the lowest funded region per head of the population, it is the consistently wide gap between East Midlands' levels and the national average (£401 less per head at 2024-25 prices), and 30% less than the West Midlands. Leaving aside 2020-21 data that is inflated for all regions because of Covid support programmes and funding, the overall trend remains a concern with the significant gap between the East Midlands and England as a whole now evidently 'baked in'.

8. In monetary terms, over the 5-year time frame covered by the PESA 2026 publication, the difference between East Midlands levels of funding against the UK average equates to be approximately **£11.4bn in loss of funding**, and £7.6bn less than the level received by the West Midlands region.

9. Table 3 shows levels of transport investment. There are a number of evident trends:

a) Transport spend per head has been very significantly below the UK average level for all of the last 5 years, and previous PESA publications show this to be trend for 10+ years.
b) Transport spending in the East Midlands has now declined to just 56% of the UK average for 2024/25, the lowest level of any UK region or nation.
c) The disparity in levels of investment spend per head between the East Midlands (£376) and the West Midlands (£656) remains significant. This is likely due to large-scale infrastructure programmes including HS2, several new local rail stations and related highways investment. The recent cancellation of the A46 Newark Bypass and A38 Derby Junctions by Government (in addition to the 'indefinite pausing' of Midland Main Line Electrification) means it is unlikely that the East Midlands will start to close the gap any time soon.
d) If the region was funded at a level equivalent to the England average over the 5 years (2020-21/2024-25), a not unrealistic target, the East Midlands would have received an extra £7.4bn to spend on transport investment and services.

Table 3: Expenditure on Transport (£ per head)						Per head (indexed)
	2020-21	2021-22	2022-23	2023-24	2024-25	
London	1,410	1,244	1,279	1,313	1,195	178
West Midlands	592	626	468	706	656	98
UK	**729**	**656**	**655**	**687**	**670**	**100**
England	736	652	651	693	669	100
North West	595	629	676	729	711	106
South East	479	646	584	628	626	93
East	692	609	556	599	628	94
North East	568	469	541	541	496	74
Yorks & Humber	525	419	432	495	475	71
South West	479	405	387	429	450	67
East Midlands	**459**	**369**	**349**	**368**	**376**	**56**



Source: Public Expenditure Statistical Analyses 2026 – CP 1624& previous releases

10. Table 4 shows levels of rail investment over the period 2020-21 to 2024-25. The disparities here are even greater. In 2024-25 the East Midlands spending on rail was only just over 40% of the English average and a third of that in the West Midlands. In cash terms compared to the English average, the East Midlands lost out by a little over £1.1b last year and by about £5.6b over the last 5 years. The indefinite 'pausing' of Midland Main Line electrification will reinforce these disparities. Compared to the West Midlands the deficit was £1.2b last year and £6.7b over the last 5 years.

Table 4: Expenditure on Railways (£ per head)

	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-5**
London	925	842	952	1,047	923
West Midlands	388	473	510	477	426
England	**427**	**388**	**403**	**432**	**389**
North West	338	352	384	440	394
South East	446	328	321	327	311
East	433	363	320	359	340
North East	201	183	213	264	216
Yorks & Humber	240	228	206	223	200
South West	230	195	163	178	163
East Midlands	**213**	**190**	**185**	**175**	**162**

11. The figures and analysis set out in this note present a challenge to the Government, new and emerging combined authorities and Midlands Connect to demonstrate their impact.