

NatWest Purchasing Manager Index (PMI) Survey¹, Released April 2024: Midlands Regions

In Summary:

- The West Midlands Business Activity Index decreased from 53.1 in February 2024 to 52.8 in March 2024. This reading still indicates an increase in business activity but was restricted due to fading demand.
- The East Midlands Business Activity Index decreased from 54.2 in February 2024 to 51.0 in March 2024. There was still an increase in business activity but was the slowest growth seen in the last three months due to subdued demand conditions and a weaker rise in new orders.
- The UK Business Activity Index decreased from 53.0 in February 2024 to 52.8 in March 2024.
- Out of the twelve UK regions, the West Midlands was the fourth highest and East Midlands was fourth lowest for business activity in March 2024.
- The West Midlands Future Business Activity Index increased from 76.8 in February 2024 to 79.7 in March 2024, the latest reading was the highest seen in 26 months. Optimism was linked to new clients, expansion plans, advertising and investment.
- The East Midlands Future Activity Index decreased from 76.0 in February 2024 to 70.3 in March 2024. Despite the fall, firms remained optimistic for the upcoming 12 months due to the release of new products, hopes of stronger demand conditions and planned investment in marketing.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth lowest for the Future Business Activity Index in March 2024.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index decreased from 53.1 in February 2024 to 52.8 in March 2024. This reading still indicates an increase in business activity for the sixth consecutive month but was restricted due to fading demand.
- The East Midlands Business Activity Index decreased from 54.2 in February 2024 to 51.0 in March 2024. There was still an increase in business activity but was the slowest growth seen in the last three months due to subdued demand conditions and a weaker rise in new orders.
- Out of the twelve UK regions, the West Midlands was the fourth highest and East Midlands was fourth lowest for business activity in March 2024. London was the highest with 57.1 and Yorkshire and The Humber was the lowest at 46.9.

¹ Source: NatWest UK regional PMI reports for March 2024, released April 2024. Please note, the seasonally adjusted indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease.

The following chart shows the West Midlands Business Activity Index trends up to March 2024:

West Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest PMI, April 2024

The following chart shows the East Midlands Business Activity Index trends up to March 2024:

East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest PMI, April 2024

The following chart shows the Business Activity Index across all UK regions in March 2024:

Business Activity Index

sa, >50 = growth since previous month, Mar '24



Source: NatWest PMI, April 2024

Demand

- The West Midlands New Business Index decreased from 50.9 in February 2024 to 50.2 in March 2024. Despite the fall, this is the 14th consecutive month of growth but is moving closer to the 50 no-change mark and is at the lowest reading for the last six months as firms reported weaker demand conditions.
- The East Midlands New Business Index decreased from 52.8 in February 2024 to 50.2 in March 2024, the third consecutive month of growth (but edging closer to the 50 no-change mark). Growth was restricted due to the cost of living putting pressure on customer purchasing power.

Exports²

- The West Midlands Export Climate Index increased from 51.3 in February 2024 to 51.5 in March 2024, the third consecutive month of improvement in trade conditions and the most favourable since May 2023. In the top five export markets, there was growth in the USA (52.1), China (52.7) and Ireland (53.2) while there were contractions in Germany (47.7) and France (48.3).
- The East Midlands Export Climate Index increased from 51.4 in February 2024 to 51.7 in March 2024, the greatest improvement in trade conditions since May 2023. For the top five export markets, there was strong growth in USA (52.1) and Singapore (58.3) while there were contractions in Germany (47.7), France (48.3) and Hong Kong (49.8).

Business Capacity

- The West Midlands Employment Index decreased from 49.0 in February 2024 to 47.4 in March 2024, a second consecutive decrease and the fastest contraction in over three years. The fall was suggested to be linked to downsizing, no recruitment of new staff and redundancies.
- The East Midlands Employment Index increased 49.0 in February 2024 from 49.3 in March 2024, although the latest reading still indicates a contraction in staffing numbers. Lower employment was due to the cost cutting initiatives and subdued client demand.
- The West Midlands Outstanding Business Index decreased from 47.7 in February 2024 to 47.5 in March 2024. Firms reported that efficiency gains supported the latest drop.
- The East Midlands Outstanding Business Index decreased from 47.5 in February 2024 to 46.9 in March 2024, the contraction period now extends to 18 months. Firms reported that incoming work was processed quicker due to subdued new orders.

Prices

- The West Midlands Input Prices Index decreased from 61.3 in February 2024 to 60.4 in March 2024. Despite the fall, firms still reported a rise in overall expenses (commodity, fuel labour, semiconductor and wood costs). The hikes were linked to input shortages and disruptions in the Red Sea.
- The East Midlands Input Prices Index decreased from 63.1 in February 2024 to 62.4 in March 2024. Despite the fall, higher cost burdens were still reported due to greater raw material prices and shipping surcharges from the re-routing of supply chains away from the Red Sea.
- The West Midlands Prices Charged Index decreased from 57.2 in February 2024 to 56.2 in March 2024. Despite the fall, the overall rate of inflation remains elevated.
- The East Midlands Prices Charged Index decreased from 56.8 in February 2024 to 56.4 in March 2024. Although, the average output charge has continued to increase as firms passed on costs to customer from the additional shipping surcharges.

² The Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the region. This produces an indicator for the economic health of the region's export markets.

Outlook

- The West Midlands Future Business Activity Index increased from 76.8 in February 2024 to 79.7 in March 2024, the latest reading was the highest seen in 26 months. Optimism was linked to new clients, expansion plans, advertising and investment.
- The East Midlands Future Activity Index decreased from 76.0 in February 2024 to 70.3 in March 2024. Despite the fall, firms remained optimistic for the upcoming 12 months due to the release of new products, hopes of stronger demand conditions and planned investment in marketing.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth lowest for the Future Business Activity Index in March 2024. The South East was second highest at 78.1 and the North East was the lowest at 61.9.

The following chart shows the Future Activity Index across all UK regions in March 2024:

Future Activity Index

>50 = growth expected over next 12 months, Mar '24

