

## Purchasing Manager Index (PMI) – NatWest UK Regional Growth Tracker Report <sup>1</sup>, Released July 2024: Midlands Regions

### In Summary:

- The West Midlands Business Activity Index decreased from 54.2 in May 2024 to 51.6 in June 2024, despite falling to the lowest reading so far this year, this is the ninth consecutive month of business growth. Business activity was restricted due to project delays, loss of customers and slow business decisions.
- The East Midlands Business Activity Index decreased from 52.3 in May 2024 to 50.8 in June 2024, a marginal increase in output as greater output was linked to backlog depletion. However, East Midlands firms reported a fall in new business.
- The UK Business Activity Index decreased from 53.0 in May 2024 to 52.3 in June 2024.
- Out of the twelve UK regions, the West Midlands was sixth lowest and East Midlands was fifth lowest for business activity in June 2024.
- The West Midlands Future Business Activity Index decreased from 80.5 in May 2024 to 74.8 in June 2024, the latest reading is an eight-month low. However, firms were still optimistic due to product diversification, expectation of lower interest rates, client demand and marketing.
- The East Midlands Future Activity Index decreased from 69.1 in May 2024 to 68.8 in June 2024. Firms were still optimistic for the upcoming 12 months due to investment into new products/services lines and hopes of stronger sales.
- Out of the twelve UK regions, the West Midlands was the second highest and the East Midlands was fifth lowest for the Future Business Activity Index in June 2024.

### In Detail:

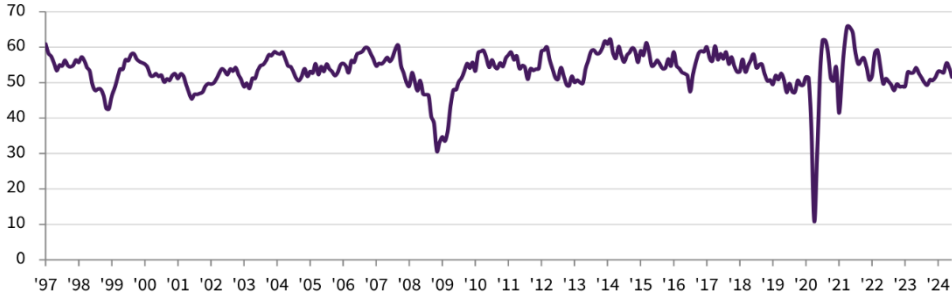
#### Business Activity Index

- The West Midlands Business Activity Index decreased from 54.2 in May 2024 to 51.6 in June 2024, despite falling to the lowest reading so far this year, this is the ninth consecutive month of business growth. Business activity was restricted due to project delays, loss of customers and slow business decisions.
- The East Midlands Business Activity Index decreased from 52.3 in May 2024 to 50.8 in June 2024, a marginal increase in output as greater output was linked to backlog depletion. However, East Midlands firms reported a fall in new business.
- In a typical business cycle, regions will move through four phases – expansion, slowdown, contraction and recovery. The June 2024 reading shows for both Midlands regions that they are in slowdown, meaning that the regions are expanding, but at a slower rate than the trend over the past six months.

<sup>1</sup> Source: NatWest UK regional growth tracker report for June 2024, released July 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 June 2024:**

West Midlands Business Activity Index  
sa, >50 = growth since previous month



Source: NatWest, July 2024

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

East Midlands Business Activity Index  
sa, >50 = growth since previous month



Source: NatWest, July 2024

- Out of the twelve UK regions, the West Midlands was sixth lowest and East Midlands was fifth lowest for business activity in June 2024. London was the highest with 56.1 and Yorkshire and The Humber was the lowest at 47.7.

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

Business Activity Index  
sa, >50 = growth since previous month, Jun '24



Source: NatWest, July 2024

## Demand

- The West Midlands New Business Index decreased from 52.6 in May 2024 to 50.2 in June 2024, despite the fall, this is the seventeenth consecutive month of growth. Firms in the West Midlands reported growth was restricted due to subdued demand and political uncertainty.
- The East Midlands New Business Index decreased from 50.4 in May 2024 to 47.2 in June 2024, after five consecutive months of growth, the latest reading shows a renewed decline in new business. The fall was the fastest seen since November 2023 and linked to weaker client demand and hesitancy to place orders.

## Exports<sup>2</sup>

- The West Midlands Export Climate Index decreased from 53.2 in May 2024 to 52.3 in June 2024, the first fall in activity this year.
- The East Midlands Export Climate Index decreased from 52.7 in May 2024 to 51.7 in June 2024, the first fall in activity this year.

## Business Capacity

- The West Midlands Employment Index decreased from 48.8 in May 2024 to 47.4 in June 2024 and signals a fifth consecutive month of declines in employment. The continual fall was linked to shortage of new work and loss of contracts along with voluntary leavers not replaced and cost considerations.
- The East Midlands Employment Index decreased from 48.9 in May 2024 to 47.4 in June 2024, which is the twelfth consecutive monthly drop in employment and the steepest decline since November 2023.
- There were only three regions to register a decline in employment in June 2024– West Midlands, East Midlands and the South West.
- The West Midlands Outstanding Business Index decreased from 47.8 in May 2024 to 47.6 in June 2024 due to subdued new orders and efficiency gains.
- The East Midlands Outstanding Business Index decreased from 45.2 in May 2024 to 44.9 in June 2024, the contraction period now extends back to October 2022. Lower backlogs of work were due to reduced new orders and sufficient capacity.

## Prices

- The West Midlands Input Prices Index increased from 58.0 in May 2024 to 58.6 in June 2024, indicating a rise in input prices. Firms still reported higher costs in various areas such as food, insurance, labour, material and shipping costs.
- The East Midlands Input Prices Index increased from 59.2 in May 2024 to 61.1 in June 2024, indicating a further substantial increase in operating costs. Firms reported higher costs for raw materials.
- The West Midlands Prices Charged Index increased from 54.5 in May 2024 to 55.8 in June 2024, in line with the intensification of cost pressures.
- The East Midlands Prices Charged Index increased from 53.2 in May 2024 to 54.3 in June 2024. The average output charge has continued to increase as firms passed on costs to customer.

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<sup>2</sup> 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 decreased from 80.5 in May 2024 to 74.8 in June 2024, the latest reading is an eight-month low. However, firms were still optimistic due to product diversification, expectation of lower interest rates, client demand and marketing.
- The East Midlands Future Activity Index decreased from 69.1 in May 2024 to 68.8 in June 2024. Firms were still optimistic for the upcoming 12 months due to investment into new products/services lines and hopes of stronger sales.
- Out of the twelve UK regions, the West Midlands was the second highest and the East Midlands was fifth lowest for the Future Business Activity Index in June 2024. The South East was the highest at 75.0 and the North East was the lowest at 62.1.

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

### Future Activity Index

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



Source: NatWest, July 2024