

Purchasing Manager Index (PMI) – NatWest UK Regional Growth Tracker Report ¹, Released August 2024: Midlands Regions

In Summary:

- The West Midlands Business Activity Index decreased from 51.6 in June 2024 to 51.2 in July 2024, despite falling to an eight-month low, this is the tenth consecutive month of business growth. There was an expansion in business activity which was linked to an improvement in demand.
- The East Midlands Business Activity Index decreased from 50.8 in June 2024 to 48.3 in July 2024, a renewed contraction in activity after seven consecutive months of expansion. Business activity was restricted due to subdued client demand and a drop in a new orders.
- The UK Business Activity Index increased from 52.3 in June 2024 to 52.8 in July 2024.
- The West Midlands Future Business Activity Index increased from 74.8 in June 2024 to 77.9 in July 2024. Firms were optimistic due to investment and tourism as well as new product releases and the potential lowering of interest rates.
- The East Midlands Future Activity Index increased from 68.8 in June 2024 to 72.3 in July 2024, the latest reading was the highest seen since February this year. Firms were optimistic for the upcoming 12 months due to investing into advertising and new product launches which in turn will hopefully help boost client demand and overall business activity.

In Detail:

Business Activity Index

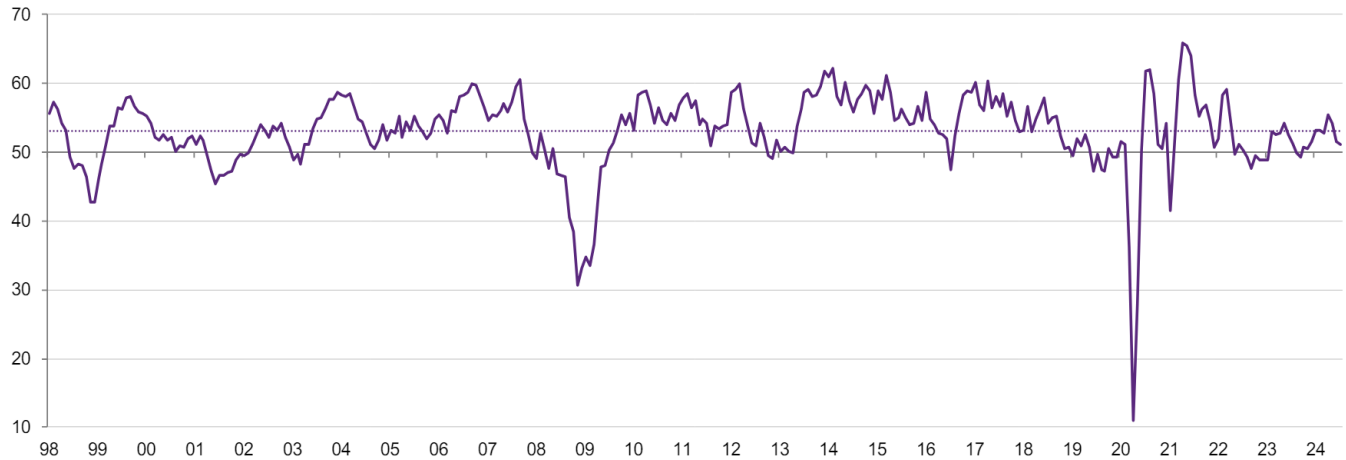
- The West Midlands Business Activity Index decreased from 51.6 in June 2024 to 51.2 in July 2024, despite falling to an eight-month low, this is the tenth consecutive month of business growth. There was an expansion in business activity which was linked to an improvement in demand.
- The East Midlands Business Activity Index decreased from 50.8 in June 2024 to 48.3 in July 2024, a renewed contraction in activity after seven consecutive months of expansion. Business activity was restricted due to subdued client demand and a drop in a new orders.
- In a typical business cycle, regions will move through four phases – expansion, slowdown, contraction and recovery. The July 2024 reading shows the West Midlands regions remains in slowdown, meaning that the region is expanding, but at a slower rate than the trend over the past six months. While the East Midlands moved into contraction, meaning the region is contracting and a faster rate than the trend over the past six months.
- Out of the twelve UK regions, the West Midlands was fourth lowest and East Midlands and Wales were joint lowest for business activity in July 2024.

¹ Source: NatWest UK regional growth tracker report for July 2024, released August 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 July 2024:

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.

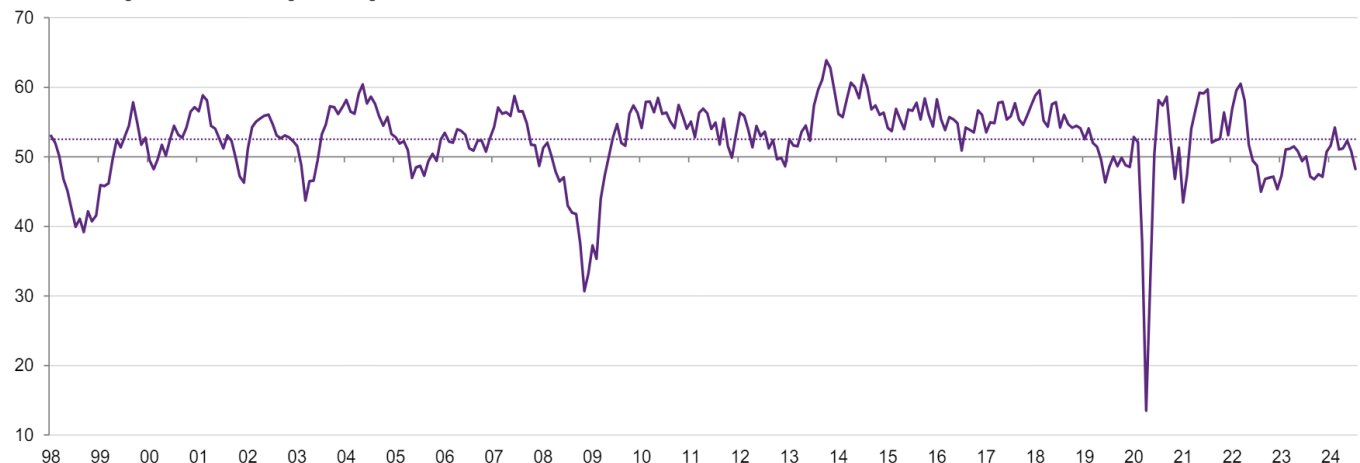


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

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

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Demand

- The West Midlands New Business Index increased from 50.2 in June 2024 to 51.5 in July 2024, this is the eighteenth consecutive month of growth. Firms in the West Midlands reported growth was linked to advertising efforts, new plans and securing of large contracts.
- The East Midlands New Business Index increased from 47.2 in June 2024 to 49.4 in in July 2024, the second consecutive month to decline. Firms linked the fall to weak client demand and increased competition. Both manufacturers and service providers reported a fall but service providers reported a sharper decline. The East Midlands was the only region to experience a fall in new orders in July 2024.

Exports²

- The West Midlands Export Climate Index decreased from 52.3 in June 2024 to 51.5 in July 2024, despite the fall this was the seventh consecutive month of growth. However, this was the slowest pace of growth since earlier this year in February with output only growing in two of the five top export markets.
- The East Midlands Export Climate Index decreased from 51.7 in June 2024 to 51.5 in July 2024, despite the fall the export climate still strengthened in the latest month. Output increased for the USA and Singapore, however this was outweighed by a renewed contraction in Germany and further falls in France and Hong Kong.

Business Capacity

- The West Midlands Employment Index increased from 47.4 in June 2024 to 49.8 in July 2024 and signals a sixth consecutive month of declines in employment. However, the latest reading is slightly below the 50 no change mark which indicates workforce numbers are broadly stable.
- The East Midlands Employment Index increased from 47.4 in June 2024 to 48.7 in July 2024, which is the thirteenth consecutive monthly drop in employment. The fall was linked to restructuring and non-replacement of voluntary leavers.
- The only two regions to register a decline in employment in July 2024 was the West Midlands and East Midlands.
- The West Midlands Outstanding Business Index decreased from 47.6 in June 2024 to 46.9 in July 2024, the twentieth consecutive month of decline, as there was a general lack of pressure on the capacity of West Midlands firms.
- The East Midlands Outstanding Business Index increased from 44.9 in June 2024 to 46.9 in July 2024, the rate of depletion eased from the previous month but was quicker than the long-run series trend.

Prices

- The West Midlands Input Prices Index decreased from 58.6 in June 2024 to 58.3 in July 2024, indicating a further rise in expenses. Firms reported higher costs for food, insurance, labour, packaging and transportation.
- The East Midlands Input Prices Index increased from 61.1 in June 2024 to 61.9 in July 2024, indicating a further increase in operating costs and was the steepest increase seen since April of this year. Firms reported higher costs for labour, raw materials, energy and shipping.
- The West Midlands Prices Charged Index decreased from 55.8 in June 2024 to 55.1 in July 2024, easing slightly from the rise seen in June and now the weakest reading seen in four years. Fees were reduced for energy and metals.
- The East Midlands Prices Charged Index decreased from 54.3 in June 2024 to 54.1 in July 2024. The average output charge has continued to increase as firms passed on costs to customer.

Outlook

- The West Midlands Future Business Activity Index increased from 74.8 in June 2024 to 77.9 in July 2024. Firms were optimistic due to investment and tourism as well as new product releases and the potential lowering of interest rates.
- The East Midlands Future Activity Index increased from 68.8 in June 2024 to 72.3 in July 2024, the latest reading was the highest seen since February this year. Firms were optimistic for the upcoming 12 months due to investing into advertising and new product launches which in turn will hopefully help boost client demand and overall business activity.

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.

Future Activity Index across all UK regions in July 2024:



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.