

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

### In Summary:

- The West Midlands Business Activity Index increased from 51.2 in July 2024 to 52.2 in August 2024, the fastest growth seen for three months. The expansion in business activity was linked to demand resilience and upbeat forecasts along with greater availability of raw materials and completions of pending workloads.
- The East Midlands Business Activity Index increased from 48.3 in July 2024 to 51.9 in August 2024, a renewed expansion in activity. The rise in activity was linked to stronger demand conditions, an increase in new orders and a rebound from pre-election uncertainty.
- The UK Business Activity Index increased from 52.8 in July 2024 to 53.8 in August 2024.
- The West Midlands Future Business Activity Index decreased from 77.9 in July 2024 to 76.1 in August 2024. Despite the fall from July, firms in the West Midlands remain optimistic for the upcoming 12 months.
- The East Midlands Future Activity Index decreased from 72.3 in July 2024 to 71.6 in August 2024. Although the level of optimism has dipped, firms remain positive about the upcoming year due to hopes of an improved sales demand, plans for new product launches and tender applications.

### In Detail:

#### Business Activity Index

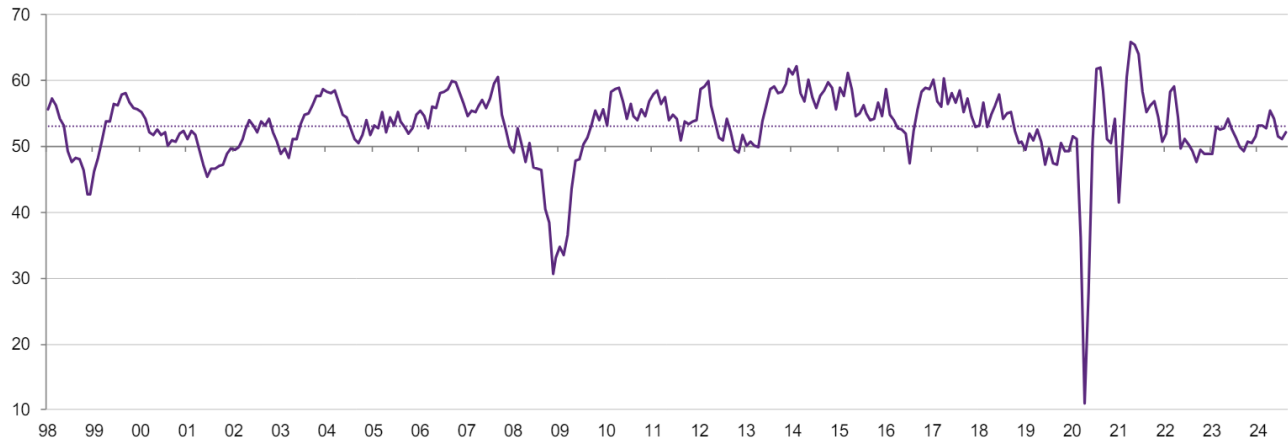
- The West Midlands Business Activity Index increased from 51.2 in July 2024 to 52.2 in August 2024, the fastest growth seen for three months. The expansion in business activity was linked to demand resilience and upbeat forecasts along with greater availability of raw materials and completions of pending workloads. However, activity was restricted due to lower volume of new orders.
- The East Midlands Business Activity Index increased from 48.3 in July 2024 to 51.9 in August 2024, a renewed expansion in activity. The rise in activity was linked to stronger demand conditions, an increase in new orders and a rebound from pre-election uncertainty.
- In a typical business cycle, regions will move through four phases – expansion, slowdown, contraction and recovery. The August 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 from contraction to expansion, meaning the region is now expanding at a faster rate than the trend over the past six months.
- Out of the twelve UK regions, the West Midlands was fifth lowest and the East Midlands and was fourth lowest for business activity in August 2024. Northern Ireland was the highest at 55.7 and the North East was the lowest at 51.2.

<sup>1</sup> Source: NatWest UK regional growth tracker report for August 2024, released September 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 August 2024:

### Business Activity

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

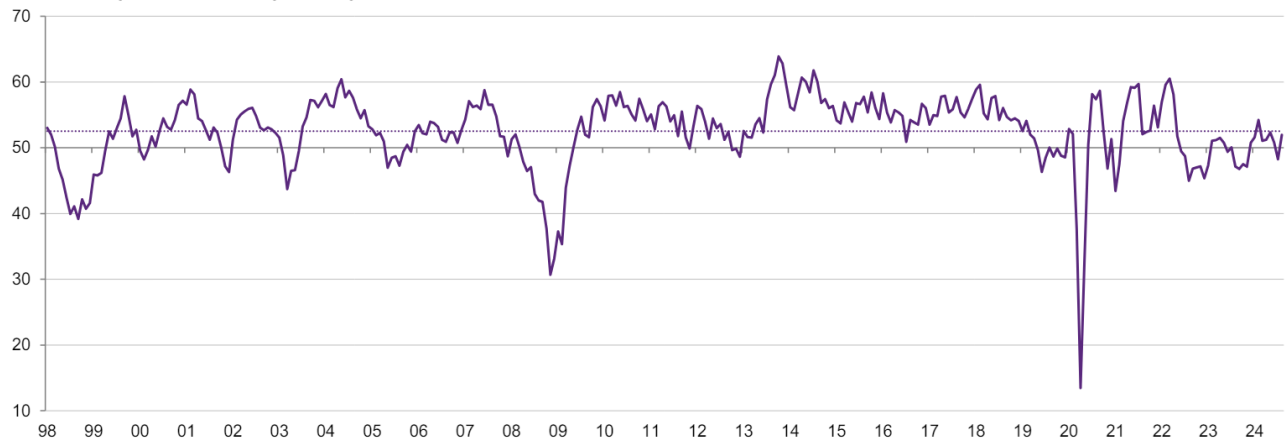


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

## The following chart shows the East Midlands Business Activity Index trends up to August 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 decreased from 51.5 in July 2024 to 50.3 in August 2024, this is the nineteenth consecutive month of growth. There was a mixed picture across West Midlands firms as some reported more demand resulting in additional orders in specific goods and services. Although, there were also reports of reduced orders and a lack of investment and fierce competition.
- The East Midlands New Business Index increased from 49.4 in July 2024 to 53.8 in August 2024, a renewed increase in new business following two consecutive months of decline. The latest rate of expansion was the fastest seen since March 2022 as firms reported stronger client demand.

## Exports<sup>2</sup>

- The West Midlands Export Climate Index increased from 51.5 in July 2024 to 51.8 in August 2024.
- The East Midlands Export Climate Index increased from 51.5 in July 2024 to 52.1 in August 2024.

<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.

## Business Capacity

- The West Midlands Employment Index remained at 49.8 in August 2024 and signals a seventh consecutive month of declines in employment. However, the reading is slightly below the 50 no change mark which indicates workforce numbers are broadly stable. However, there was a mixed picture across the region where some firms reported an increase in jobs while others reported a fall related to automation, AI adoption and staff churn.
- The East Midlands Employment Index decreased from 48.7 in July 2024 to 48.3 in August 2024, continuing the falling trends and is the fourteenth consecutive monthly drop in employment. The fall was linked to non-replacement of voluntary leavers and job losses were from cost cutting initiatives.
- The only two regions to register a decline in employment in August 2024 was the West Midlands and East Midlands.
- The West Midlands Outstanding Business Index decreased from 46.9 in July 2024 to 45.5 in August 2024, the latest fall was the strongest seen in eleven months.
- The East Midlands Outstanding Business Index increased from 46.9 in July 2024 to 49.0 in August 2024, the rate of depletion eased to the weakest seen since October 2022. Firms reported reducing levels of income business by previous weak customer demand.

## Prices

- The West Midlands Input Prices Index decreased from 58.3 in July 2024 to 56.6 in August 2024, despite the fall, the latest reading still indicates a continual rise in costs linked to insurance premiums, labour and materials. However, the rise was suppressed by lower prices for energy and metals.
- The East Midlands Input Prices Index decreased from 61.9 in July 2024 to 60.2 in August 2024, a softer increase in input costs which was linked to higher wages, raw material and shipping costs.
- The West Midlands Prices Charged Index decreased from 55.1 in July 2024 to 54.5 in August 2024, easing to a joint (with May) 44-month low. Some firms reported sharing additional cost burdens with customers whereas some applied discounted rates due to competition and in a bid to secure new work.
- The East Midlands Prices Charged Index increased from 54.1 in July 2024 to 54.6 in August 2024. Despite cost inflation cooling, the rate of selling price rose as the output charges were passed on to customers.

## Outlook

- The West Midlands Future Business Activity Index decreased from 77.9 in July 2024 to 76.1 in August 2024. Despite the fall from July, firms in the West Midlands remain optimistic for the upcoming 12 months.
- The East Midlands Future Activity Index decreased from 72.3 in July 2024 to 71.6 in August 2024. Although the level of optimism has dipped, firms remain positive about the upcoming year due to hopes of an improved sales demand, plans for new product launches and render applications.

**Future Activity Index across all UK regions in August 2024:**



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