

NatWest UK Regional Growth Tracker Report ¹, Released November 2024: Midlands Regions

In Summary:

- The West Midlands Business Activity Index decreased from 51.2 in September 2024 to 50.0 in October 2024, registered at the no-change mark to signal the end of a 12-month sequence of expansion. Uncertainty surrounding the October government budget, competitive conditions and demand weakness dented business activity.
- The East Midlands Business Activity Index decreased from 51.4 in September 2024 to 50.4 in October 2024, signalling a softer rise in output compared to the previous month. This was the third month of consecutive expansion. Some firms raised output in response to recent increases in new orders, while others reported that demand had softened.
- The UK Business Activity Index decreased from 52.6 in September 2024 to 51.8 in October 2024.
- The West Midlands Future Business Activity Index increased from 69.8 in September 2024 to 71.0 in October 2024, despite business confidence increasing it is still below the long-run average. Firms that foresee output growth in the year ahead were hopeful of a recovery in demand and good sales performances of new product releases.
- The East Midlands Future Activity Index decreased from 71.1 in September 2024 to 67.1 in October 2024, signalling a third consecutive month of falling optimism as levels were lowest seen in 2024 so far for the region. Firms that predicted a rise in output over the coming year linked this to the planned expansion of market share and the launch of new products.

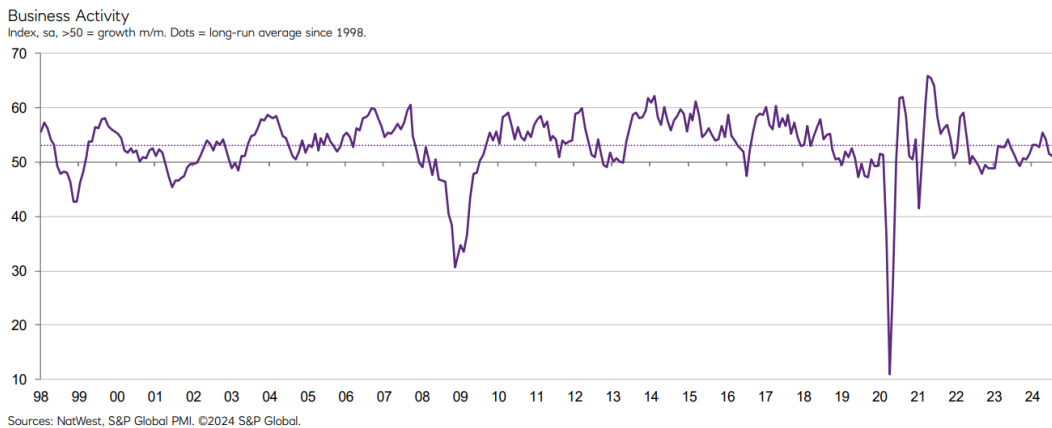
In Detail:

Business Activity Index

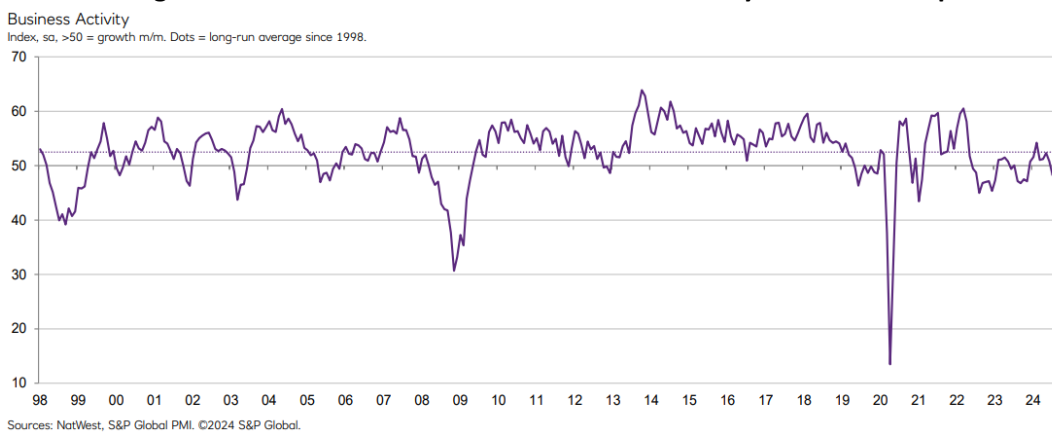
- The West Midlands Business Activity Index decreased from 51.2 in September 2024 to 50.0 in October 2024, registered at the no-change mark to signal the end of a 12-month sequence of expansion. Uncertainty surrounding the October government budget, competitive conditions and demand weakness affected business activity.
- The East Midlands Business Activity Index decreased from 51.4 in September 2024 to 50.4 in October 2024, signalling a softer rise in output compared to the previous month. This was the third month of consecutive expansion. Some firms raised output in response to recent increases in new orders, while others reported that demand had softened.
- In a typical business cycle, regions will move through four phases – expansion, slowdown, contraction and recovery. The October 2024 reading shows the East Midlands remained in slowdown meaning that the region is expanding, but at a slower rate than the trend over the past six months. While still in slowdown, business activity in the West Midlands stalled in October 2024, putting the region at risk of entering contraction.
- Out of the twelve UK regions, the East Midlands ranked sixth lowest while the West Midlands ranked fifth lowest for business activity in October 2024. Northern Ireland ranked highest at 55.8 and Wales ranked lowest at 47.0.

¹ Source: NatWest UK regional growth tracker report for October 2024, released November 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 October 2024:



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Demand

- The West Midlands New Business Index decreased from 50.8 in September 2024 to 50.5 in October 2024, this is the twentieth consecutive month of growth due to new client wins and prospects coming to fruition.
- The East Midlands New Business Index decreased from 52.3 in September 2024 to 49.9 in October 2024 after two months of consecutive expansion. The East Midlands was one of three regions to fail to register growth in new orders in October (alongside the East of England and Scotland).

Exports²

- The West Midlands Export Climate Index increased from 50.9 in September 2024 to 51.6 in October 2024, this signalled the tenth consecutive month of favourable export conditions. China and the US posted economic expansions that were stronger than in September. The other three of the top five export markets for the West Midlands (France, Germany and the Netherlands) remained in contraction.
- The East Midlands Export Climate Index increased from 51.1 in September 2024 to 52.0 in October 2024 signalling ten consecutive months of improvement in the trade environment. Of the top five export destinations for East Midlands companies, the sharpest expansion was seen in Singapore where the rate of growth was rapid and faster than in September 2024.

Business Capacity

- The West Midlands Employment Index decreased from 48.8 in September 2024 to 46.7 in October 2024 signalling a ninth consecutive month of declines in employment with the rate of job shedding the steepest in close to four years. Companies reported that resignations, outsourcing, shortages of new business and expectations of greater employment costs all caused a fall in headcounts.

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.

- The East Midlands Employment Index increased from 48.3 in September 2024 to 48.4 in October 2024 (matching the national average) to signal the sixteenth consecutive monthly drop in employment. Some companies reported that the non-replacement of leavers and hiring freezes had been behind the drop in workforce numbers.
- The West Midlands Outstanding Business Index decreased from 47.5 in September 2024 to 46.5 in October 2024, the twenty-third consecutive monthly decline in outstanding business volumes.
- The East Midlands Outstanding Business Index decreased from 49.6 in September 2024 to 46.1 in October 2024, the rate of depletion increased to the fastest seen since June 2024 with signs of market demand slowing meaning that companies used spare resources to work through outstanding business.

Prices

- The West Midlands Input Prices Index decreased from 59.0 in September 2024 to 56.8 in October 2024. Companies indicated that higher prices for electronic components, food, freight and insurance drove business expenses, while lower prices for energy and steel eased cost pressures.
- The East Midlands Input Prices Index decreased from 60.4 in September 2024 to 56.8 in October 2024, the weakest since November 2020. Firms noted that wages and raw materials continued to add upwards pressure to prices.
- The West Midlands Prices Charged Index slightly decreased from 54.5 in September 2024 to 54.4 in October 2024. West Midlands companies continued to share part of their additional cost burdens with clients however to a reduced extent.
- The East Midlands Prices Charged Index decreased from 55.1 in September 2024 to 54.6 in October 2024 with firms responding to higher input costs.

Outlook

- The West Midlands Future Business Activity Index increased from 69.8 in September 2024 to 71.0 in October 2024. Firms that foresee output growth in the year ahead were hopeful of a recovery in demand and good sales performances of new product releases.
- The East Midlands Future Activity Index decreased from 71.1 in September 2024 to 67.1 in October 2024, signalling a third consecutive month of falling optimism as levels were lowest seen in 2024 so far for the region. Firms that predicted a rise in output over the coming year linked this to the planned expansion of market share and the launch of new products.

Future Activity Index across all UK regions in October 2024:

Future Activity Index, >50 = growth expected Oct '24



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