

NatWest UK Regional Growth Tracker Report ¹, Released January 2025: Midlands Regions

In Summary:

- The West Midlands Business Activity Index decreased from 49.9 in November 2024 to 48.9 in December 2024, a second successive fall in business activity across the region despite the rate of contraction being modest. Firms that signalled a fall in activity remarked on subdued client confidence and reduced intakes of new business.
- The East Midlands Business Activity Index increased from 50.1 in November 2024 to 50.7 in December 2024, signalling the fifth consecutive month of expansion. The latest data indicated a marginal expansion in output across the region's private sector, but one that was the steepest for three months.
- The UK Business Activity Index decreased from 50.5 in November 2024 to 50.4 in December 2024.
- The West Midlands Future Business Activity Index decreased from 68.6 in November 2024 to 67.2 in December 2024, a two-year low. Firms remained confident that output would increase in 2025 with optimism being underpinned by advertising, investment and hopes of a recovery in client demand.
- The East Midlands Future Activity Index increased from 65.6 in November 2024 to 70.4 in December 2024, the strongest level in three months and broadly in line with the long-run average. Firms in the East Midlands were the most optimistic of any region across the UK.

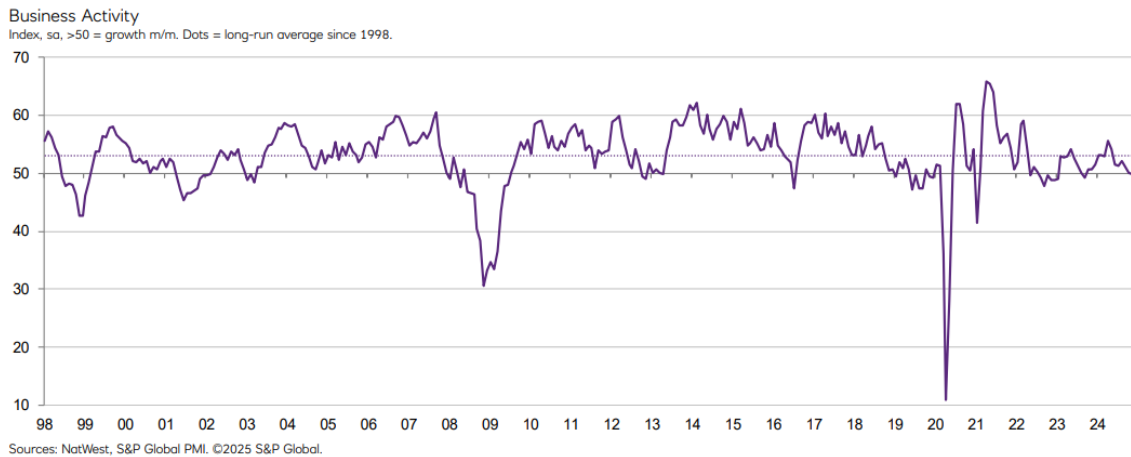
In Detail:

Business Activity Index

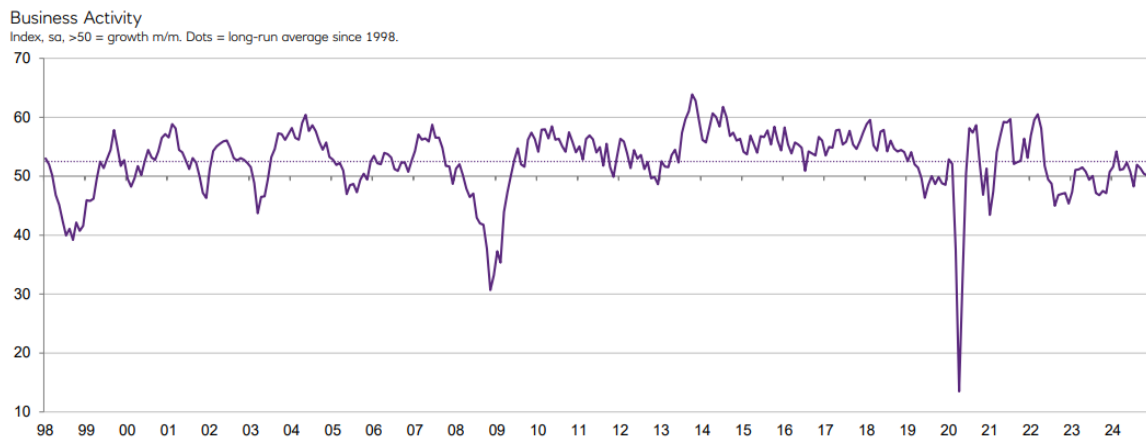
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- In a typical business cycle, regions will move through four phases – expansion, slowdown, contraction and recovery. The December 2024 reading shows the East Midlands was in expansion meaning that the region is expanding and at a faster rate than the trend over the past six months. While the West Midlands remained in contraction meaning that the region is contracting and at a faster rate than the trend over the past six months.
- Out of the twelve UK regions, the East Midlands ranked third highest while the West Midlands ranked sixth highest for business activity in December 2024. The North East ranked highest at 55.1 while the North West ranked lowest at 46.9.

¹ Source: NatWest UK regional growth tracker report for December 2024, released January 2025. 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 December 2024:



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Demand

- The West Midlands New Business Index decreased from 48.8 in November 2024 to 47.4 in December 2024, a second consecutive month of contractions in new orders placed to its fastest rate in two years. The rate of reduction was also quicker than the UK average, with challenging economic conditions, subdued client confidence and the postponement of orders being identified as the main factors behind the fall in sales.
- The East Midlands New Business Index decreased from 48.7 in November 2024 to 47.8 in December 2024, a third successive monthly decline in new orders to the fastest rate of contraction since last June. Limited customer spending amid economic uncertainty and difficulties in key industries contributed to muted demand conditions.

Business Capacity

- The West Midlands Employment Index decreased from 47.5 in November 2024 to 43.9 in December 2024, the fastest rate of job shedding in over four years. A lack of existing and new work, alongside the upcoming increase in employer National Insurance Contributions and minimum wages, prompted companies to reduce headcounts.
- The East Midlands Employment Index decreased from 49.7 in November 2024 to 44.1 in December 2024, the steepest decline in employment since August 2020. Cuts to part-time work and the non-replacement of voluntary leavers were key drivers of the fall in employment.
- The West Midlands Outstanding Business Index decreased from 45.3 in November 2024 to 43.3 in December 2024, the sharpest fall since August 2023.

- The East Midlands Outstanding Business Index decreased from 44.9 in November 2024 to 44.2 in December 2024, the fastest rate of contraction since September 2023 with reduced new order inflows enabling firms to process outstanding business.

Prices

- The West Midlands Input Prices Index increased from 60.1 in November 2024 to 60.2 in December 2024, an eight-month high with businesses paying more for chemicals, foodstuff, insurance premiums, metals, minerals, rubber, transportation and zinc.
- The East Midlands Input Prices Index increased from 60.4 in November 2024 to 61.1 in December 2024, the sharpest increase since last July. Firms noted that higher operating expenses were linked to greater supplier and utility prices, with companies also noting that competition for materials and currency fluctuations impacted costs.
- The West Midlands Prices Charged Index increased from 52.1 in November 2024 to 53.2 in December 2024. Despite an increase from the previous month, inflation was still below the long run average and the lowest of any UK region. Price increases were due to the pass-through of rising business expenses to clients.
- The East Midlands Prices Charged Index increased from 53.6 in November 2024 to 55.7 in December 2024, the quickest rate of inflation since last March with companies passing through higher costs to customers.

Outlook

- The West Midlands Future Business Activity Index decreased from 68.6 in November 2024 to 67.2 in December 2024, a two-year low. Firms remained confident that output would increase in 2025 with optimism being underpinned by advertising, investment and hopes of a recovery in client demand.
- The East Midlands Future Activity Index increased from 65.6 in November 2024 to 70.4 in December 2024, the strongest level in three months and broadly in line with the long-run average. Firms in the East Midlands were the most optimistic of any region across the UK.

Future Activity Index across all UK regions in December 2024:



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.