

## NatWest Purchasing Manager Index (PMI) Survey<sup>1</sup>, Released May 2024: Midlands Regions

### In Summary:

- The West Midlands Business Activity Index increased from 52.8 in March 2024 to 55.5 in April 2024, the strongest rate of growth since March 2022. The increase in activity was linked to a rebound in demand, new business gains and an improvement in the market sentiment.
- The East Midlands Business Activity Index increased from 51.0 in March 2024 to 51.2 in April 2024. The increase in activity was linked to more favourable demand conditions and a further rise in new orders.
- The UK Business Activity Index increased from 52.8 in March 2024 to 54.1 in April 2024.
- Out of the twelve UK regions, the West Midlands was the second highest and East Midlands was third lowest for business activity in April 2024.
- The West Midlands Future Business Activity Index decreased from 79.7 in March 2024 to 78.7 in April 2024. Despite falling from March's 26-month high, firms remained optimistic with 64% forecasting output growth in the upcoming twelve months. Only 6% expected a fall in output. Optimism is linked to expectations of greater inbound tourism, recovery in the construction sector, new product releases and marketing efforts.
- The East Midlands Future Activity Index decreased from 70.3 in March 2024 to 67.9 in April 2024. Despite the fall, firms remained optimistic for the upcoming 12 months due to hopes of stronger customer demand and greater investment in new products. Optimism was restricted due to current business conditions impacting future expectations.
- Out of the twelve UK regions, the West Midlands was the second highest and the East Midlands was fourth lowest for the Future Business Activity Index in April 2024.

### In Detail:

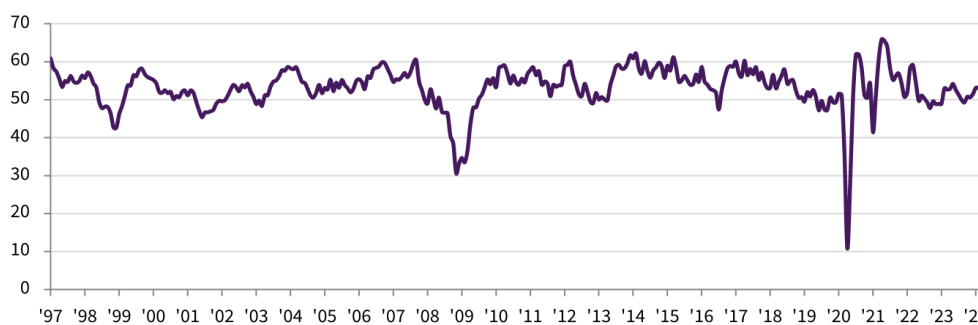
#### Business Activity Index

- The West Midlands Business Activity Index increased from 52.8 in March 2024 to 55.5 in April 2024, the strongest rate of growth since March 2022. The increase in activity was linked to a rebound in demand, new business gains and an improvement in the market sentiment.
- The East Midlands Business Activity Index increased from 51.0 in March 2024 to 51.2 in April 2024. The increase in activity was linked to more favourable demand conditions and a further rise in new orders.

#### The following chart shows the West Midlands Business Activity Index trends up to April 2024:

West Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest PMI, May 2024

<sup>1</sup> Source: NatWest UK regional PMI reports for April 2024, released May 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 East Midlands Business Activity Index trends up to April 2024:**

East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest PMI, May 2024

- Out of the twelve UK regions, the West Midlands was the second highest and East Midlands was third lowest for business activity in April 2024. London was the highest with 57.4 and Yorkshire and The Humber was the lowest at 47.3.

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

Business Activity Index

sa, >50 = growth since previous month, Apr '24



Source: NatWest PMI, May 2024

## Demand

- The West Midlands New Business Index increased from 50.2 in March 2024 to 53.0 in April 2024, this is the fifteenth consecutive month of growth. The latest monthly change was the strongest rate increase seen since June 2023. The growth was linked to a general improvement in market sentiment, demand resilience, repeated orders and client investment.
- The East Midlands New Business Index decreased from 50.2 in March 2024 to 52.2 in April 2024, the fourth consecutive month of growth and the increase was the second fastest seen since June 2023. Growth was linked to stronger client demand.

## Exports<sup>2</sup>

- The West Midlands Export Climate Index increased from 51.5 in March 2024 to 51.8 in April 2024, the fourth consecutive month of improvement in trade conditions. The latest change was the fastest rate of growth in just under a year. Output increased in the top five export markets: USA at 51.3, Germany at 50.6, China at 52.8, France at 50.5 and Ireland at 50.4.
- The East Midlands Export Climate Index increased from 51.7 in March 2024 to 51.8 in April 2024, the strongest improvement in trade conditions since May 2023. Output increased in the top five export markets: USA at 51.3, Germany at 50.6, France at 50.5, Singapore at 54.3 and Hong Kong at 50.2.

## Business Capacity

- The West Midlands Employment Index increased from 47.4 in March 2024 to 47.5 in April 2024, but signals a third consecutive month of falls in employment. The fall was suggested to be linked to cost considerations, shortages of skilled labour and staff leaving.
- The East Midlands Employment Index dropped from 49.3 in March 2024 to 49.0 in April 2024, which is the tenth consecutive monthly drop in employment. Lower employment was due to the cost cutting initiatives and subdued client demand.
- The West Midlands Outstanding Business Index increased from 47.5 in March 2024 to 48.0 in April 2024. Some firms reported that staff were working overtime to clear workloads as well as efficiency gains. While others reported pressure on capacity arising from new business gains and labour shortages.
- The East Midlands Outstanding Business Index increased from 46.9 in March 2024 to 47.0 in April 2024, the contraction period now extends to over 18 months. Firms reported that incoming work was processed quicker due to subdued new orders.

## Prices

- The West Midlands Input Prices Index increased from 60.4 in March 2024 to 64.3 in April 2024, the rate of inflation was the sharpest seen in 13 months.
- The East Midlands Input Prices Index increased from 62.4 in March 2024 to 65.9 in April 2024, the rate of inflation was the fastest seen in eight months. The increase was linked to higher wages and greater imported goods prices.
- The West Midlands Prices Charged Index increased from 56.2 in March 2024 to 56.3 in April 2024. The ongoing cost increases led to firms to increase selling prices, but the rate of charge inflation was broadly similar to the previous month and one of the weakest in over three years.
- The East Midlands Prices Charged Index decreased from 56.4 in March 2024 to 54.9 in April 2024. Although, the average output charge has continued to increase as firms passed on costs to customer. The rate of inflation has slowed to the second-weakest since January 2021.

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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 79.7 in March 2024 to 78.7 in April 2024. Despite falling from March’s 26- month high, firms remained optimistic with 64% forecasting output growth in the upcoming twelve months. Only 6% expected a fall in output. Optimism is linked to expectations of greater inbound tourism, recovery in the construction sector, new product releases and marketing efforts.
- The East Midlands Future Activity Index decreased from 70.3 in March 2024 to 67.9 in April 2024. Despite the fall, firms remained optimistic for the upcoming 12 months due to hopes of stronger customer demand and greater investment in new products. Optimism was restricted due to current business conditions impacting future expectations.
- Out of the twelve UK regions, the West Midlands was the second highest and the East Midlands was fourth lowest for the Future Business Activity Index in April 2024. The South East was the highest at 79.2 and Scotland was the lowest at 60.4.

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

### Future Activity Index

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



Source: NatWest PMI, May 2024