

NatWest Purchasing Manager Index (PMI) Survey¹, Released June 2024: Midlands Regions

In Summary:

- The West Midlands Business Activity Index decreased from 55.5 in April 2024 to 54.2 in May 2024, despite falling from a 25-month high this is the eight consecutive month of business growth. The increase in activity was linked to higher demand, new clients and better economic conditions.
- The East Midlands Business Activity Index increased from 51.2 in April 2024 to 52.3 in May 2024, the highest rate of growth for activity for three months. The increase in activity was linked to further rises in new orders and continual improvement in demand conditions.
- The UK Business Activity Index decreased from 54.1 in April 2024 to 53.0 in May 2024.
- Out of the twelve UK regions, the West Midlands was joint third highest (with London) and East Midlands was fifth lowest for business activity in May 2024.
- The West Midlands Future Business Activity Index increased from 78.7 in April 2024 to 80.5 in May 2024 – the highest reading since May 2021. Optimism was linked to the hope of improving economic conditions, tourism, marketing efforts and new business.
- The East Midlands Future Activity Index increased from 67.9 in April 2024 to 69.1 in May 2024. Firms were optimistic for the upcoming 12 months due to efforts to diversify revenue, advertising and the hopes of stronger demand conditions.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth lowest for the Future Business Activity Index in May 2024.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index decreased from 55.5 in April 2024 to 54.2 in May 2024, despite falling from a 25-month high, this is the eight consecutive month of business growth. The increase in activity was linked to higher demand, new clients and better economic conditions.
- The East Midlands Business Activity Index increased from 51.2 in April 2024 to 52.3 in May 2024, the highest rate of growth for activity for three months. The increase in activity was linked to further rises in new orders and continual improvement in demand conditions.

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

West Midlands Business Activity Index

sa, >50 = growth since previous month



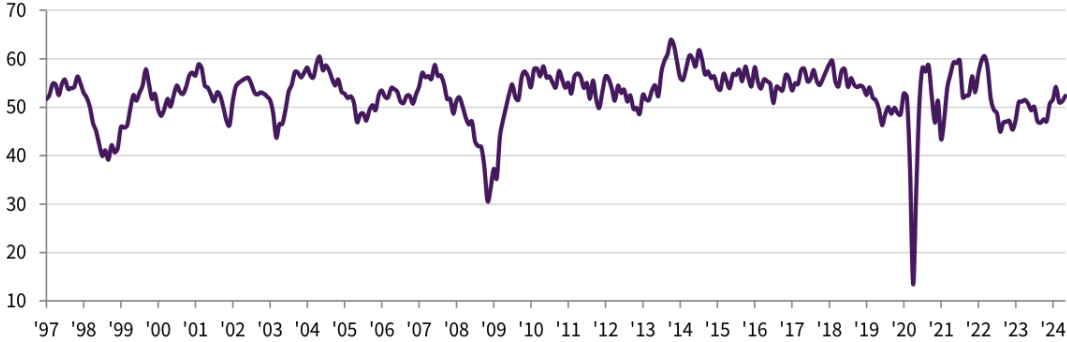
Source: NatWest PMI, June 2024

¹ Source: NatWest UK regional PMI reports for May 2024, released June 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 May 2024:

East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest PMI, June 2024

- Out of the twelve UK regions, the West Midlands was joint third highest (with London) and East Midlands was fifth lowest for business activity in May 2024. Northern Ireland was the highest with 56.4 and Yorkshire and The Humber was the lowest at 50.5.

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

Business Activity Index

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



Source: NatWest PMI, June 2024

Demand

- The West Midlands New Business Index decreased from 53.0 in April 2024 to 52.6 in May 2024, despite the slight fall this is the sixteenth consecutive month of growth. Firms in the West Midlands reported better economic conditions, improved client confidence and demand resilience.
- The East Midlands New Business Index decreased from 52.2 in April 2024 to 50.4 in May 2024, despite the fall this is the fifth consecutive month of growth. Firms reported continual customer demand caused the rise the new business.

Exports²

- The West Midlands Export Climate Index increased from 51.9 in April 2024 to 53.2 in May 2024, the strongest improvement in trade conditions in over a year. However, for the top five export markets, following registering growth for the first time in eleven months, France contracted in May 2024 (to 48.9). There was growth in the other four markets (USA 54.5, Germany 52.4, China 54.1 and Netherlands 52.5).
- The East Midlands Export Climate Index increased from 51.7 in April 2024 to 52.7 in May 2024, the strongest improvement in trade conditions in a year. Output increased in three of the top five export markets: USA at 54.5, Germany at 52.4 and Singapore at 58.2. Hong Kong and France contracted to 48.3 and 48.9 respectively.

Business Capacity

- The West Midlands Employment Index increased from 47.5 in April 2024 to 48.8 in May 2024, but signals a fourth consecutive month of falls in employment. The fall was suggested to be linked to the difficulty in replacing voluntary leavers and voluntary redundancy programmes.
- The East Midlands Employment Index decreased from 49.0 in April 2024 to 48.9 in May 2024, which is the eleventh consecutive monthly drop in employment and the steepest decline since November 2023. Lower employment was due to redundancies, non-replacement of voluntary leavers and subdued client demand.
- The West Midlands Outstanding Business Index decreased from 48.0 in April 2024 to 47.8 in May 2024 as firms reported efficiency gains.
- The East Midlands Outstanding Business Index decreased from 47.0 in April 2024 to 45.2 in May 2024, the contraction period now extends to over 18 months as well as being the fastest contraction since September 2023.

Prices

- The West Midlands Input Prices Index decreased from 64.3 in April 2024 to 58.0 in May 2024, the latest reading still indicates a rise in input prices but had considerably eased. Firms still reported higher prices in various areas such as food, fuel, materials, wages, electricity and energy.
- The East Midlands Input Prices Index decreased from 65.9 in April 2024 to 59.2 in May 2024, the latest figures still show a rise in input prices but at the slowest rate since November 2020. The increase was linked to higher wages and material costs.
- The West Midlands Prices Charged Index decreased from 56.3 in April 2024 to 54.5 in May 2024. The ongoing cost increases led to some firms to increase selling prices, but the rate of charge inflation was the weakest in three-and-a-half years. Some firms refrained from price hikes in a bid to boost sales.
- The East Midlands Prices Charged Index decreased from 54.9 in April 2024 to 53.2 in May 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.

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.

Outlook

- The West Midlands Future Business Activity Index increased from 78.7 in April 2024 to 80.5 in May 2024 – the highest reading since May 2021. Optimism was linked to the hope of improving economic conditions, tourism, marketing efforts and new business.
- The East Midlands Future Activity Index increased from 67.9 in April 2024 to 69.1 in May 2024. Firms were optimistic for the upcoming 12 months due to efforts to diversify revenue, advertising and the hopes of stronger demand conditions.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth lowest for the Future Business Activity Index in May 2024. The South East was the second highest at 78.2 and Scotland was the lowest at 63.8.

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

Future Activity Index

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



Source: NatWest PMI, June 2024