

NatWest UK Regional Growth Tracker Report¹ - Released October 2024: Midlands Regions

In Summary:

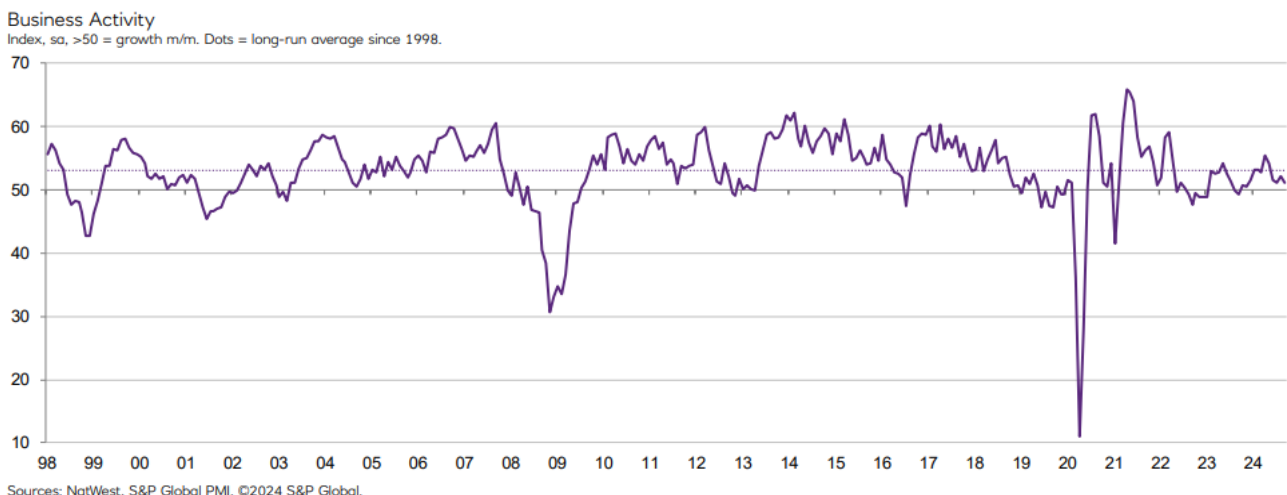
- The West Midlands Business Activity Index decreased from 52.2 in August 2024 to 51.2 in September 2024, despite a decrease in the last month, this was the twelfth consecutive month of growth in the region. Output growth was supported by new client wins and repeat orders from existing customers.
- The East Midlands Business Activity Index decreased from 51.9 in August 2024 to 51.4 in September 2024, signalling a softer rise in output compared to the previous month. The increase in activity was due to a sustained upturn in new business and persistent demand.
- The UK Business Activity Index decreased from 53.8 in August 2024 to 52.6 in September 2024.
- The West Midlands Future Business Activity Index decreased from 76.1 in August 2024 to 69.8 in September 2024, despite business confidence remaining positive, it is at its lowest level since December 2022 in the region. The main factors causing this decrease were public policy uncertainty and economic difficulties faced by European export partners.
- The East Midlands Future Activity Index decreased from 71.6 in August 2024 to 71.1 in September 2024. Despite a slight decrease compared to the previous month, business confidence remained positive with proactive sales and marketing initiatives expected to boost output in the coming year.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index decreased from 52.2 in August 2024 to 51.2 in September 2024, despite a decrease compared to the previous month, this was the twelfth consecutive month of growth in the region. Output growth was supported by new client wins and repeat orders from existing customers.
- The East Midlands Business Activity Index decreased from 51.9 in August 2024 to 51.4 in September 2024, signalling a softer rise in output compared to the previous month. The increase in activity was due to a sustained upturn in new business and persistent demand.

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

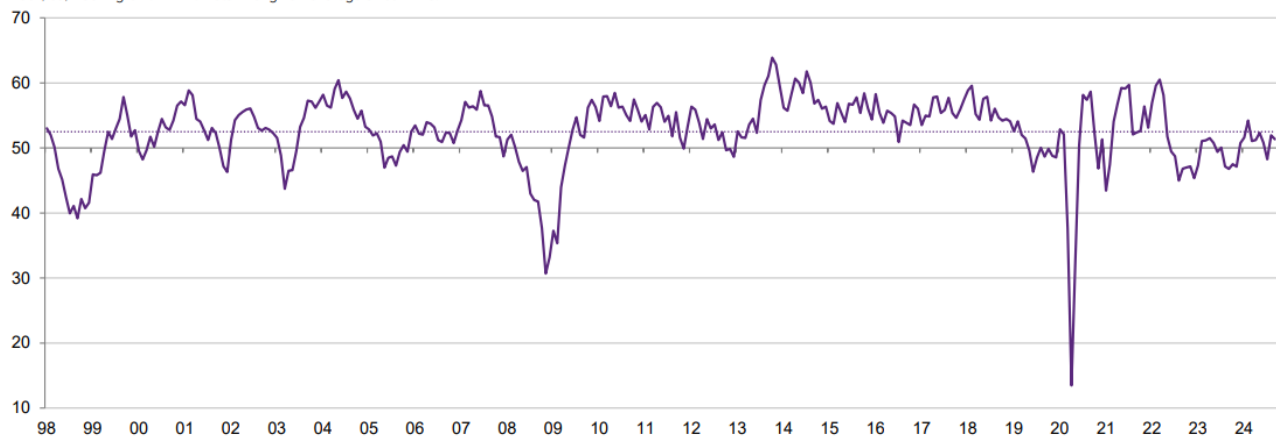


¹ Source: NatWest UK regional growth tracker report for September 2024, released October 2024. Please note, the seasonally adjusted indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease.

The following chart shows the East Midlands Business Activity Index trends up to September 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 increased from 50.3 in August 2024 to 50.8 in September 2024, this is the twentieth consecutive month of growth due to demand resilience and the securing of new customers.
- The East Midlands New Business Index decreased from 53.8 in August 2024 to 52.3 in September 2024, despite a slowdown, this was the second consecutive month of growth. This growth was driven by larger order volumes from existing customers alongside new client wins.

Exports²

- The West Midlands Export Climate Index decreased from 51.8 in August 2024 to 50.9 in September 2024, this signalled the ninth consecutive month of favourable export conditions despite a slowdown in the rate of improvement in the trade environment to its weakest level since January 2024. Of the top five export markets for the region, China and the USA registered economic growth, albeit at softer rates of expansion, while France, Germany and the Netherlands all recorded a fall in output.
- The East Midlands Export Climate Index decreased from 52.1 in August 2024 to 51.1 in September 2024. Despite the continued trend of improvement in the trade environment, the rate of improvement fell to its lowest level in eight months. Slower expansions in output in key export markets including the USA and Singapore weighed on the overall improvement. Coupled with a renewed fall in activity with France, joining Germany and Hong Kong.

Business Capacity

- The West Midlands Employment Index decreased from 49.8 in August 2024 to 48.8 September 2024 and signals an eighth consecutive month of declines in employment. After nearly stabilising in the previous two months, the decline in the latest month was caused by redundancies, unplanned resignations and hiring freezes with cost-cutting measures cited as a factor in private sector employment decreases.
- The East Midlands Employment Index remained at 48.3 in September 2024 to signal the fifteenth consecutive monthly drop in employment. Companies reported cutting workforce numbers amid efforts to lower costs.
- The West Midlands Outstanding Business Index increased from 45.5 in August 2024 to 47.5 in September 2024, the twenty-second consecutive monthly decline in outstanding business volumes with the latest month recorded as the slowest rate of depletion since June 2024. Declines in outstanding business volume was due to greater input availability and subdued demand.

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 Outstanding Business Index increased from 49.0 in August 2024 to 49.6 in September 2024, the rate of depletion eased to the weakest seen since October 2022 due to new order flows.

Prices

- The West Midlands Input Prices Index increased from 56.6 in August 2024 to 59.0 in September 2024, continuing the rising trend to a five-month high. Input price increases were attributed to unfavourable exchange rate movements, greater outlays on labour and material price hikes.
- The East Midlands Input Prices Index increased from 60.2 in August 2024 to 60.4 in September 2024 with cost inflation linked to higher raw material and software prices, and greater wage bills.
- The West Midlands Prices Charged Index remained at 54.5 in September 2024, easing to a joint (with May and August) 44-month low. Firms reportedly continued to share additional cost burdens with clients by raising selling prices.
- The East Midlands Prices Charged Index increased from 54.6 in August 2024 to 55.1 in September 2024, a second consecutive increase in the pace of price increases with output prices rising at the steepest rate since March.

Outlook

- The West Midlands Future Business Activity Index decreased from 76.1 in August 2024 to 69.8 in September 2024. Despite the fall, business confidence remains positive but it is at its lowest level since December 2022 in the region. The main factors causing this decrease were public policy uncertainty and economic difficulties faced by European export partners.
- The East Midlands Future Activity Index decreased from 71.6 in August 2024 to 71.1 in September 2024. Despite a slight decrease compared to the previous month and at a three month low, business confidence remained positive with proactive sales and marketing initiatives expected to boost output in the coming year.