

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

In Summary:

- The West Midlands Business Activity Index decreased from 50.0 in October 2024 to 49.9 in November 2024, the first month of contraction after a 12-month sequence of expansion ended in the previous month, however the reading shows a broadly stable level of output across the region. Where an increase in business activity was recorded, firms commented on sales growth while others that observed a fall commented on subdued client demand and challenging economic conditions across Europe.
- The East Midlands Business Activity Index decreased from 50.4 in October 2024 to 50.1 in November 2024, signalling the fourth consecutive month of expansion despite a softer rise than the previous month. Growth was linked to orders for specialised products and stock building. However, economic uncertainty dampened customer demand.
- The UK Business Activity Index decreased from 51.8 in October 2024 to 50.5 in November 2024.
- The West Midlands Future Business Activity Index decreased from 71.0 in October 2024 to 68.6 in November 2024, a 23-month low. Despite business confidence decreasing it was the second highest of any region across the UK behind London. Firms expect advertising, inbound tourism, lower borrowing costs and new product releases to underpin growth in the year ahead.
- The East Midlands Future Activity Index decreased from 67.1 in October 2024 to 65.6 in November 2024, signalling a fourth consecutive month of decline to the lowest levels in 2024 so far in the region. Firms anticipated an increase over the next year with firms hoping for stronger demand conditions.

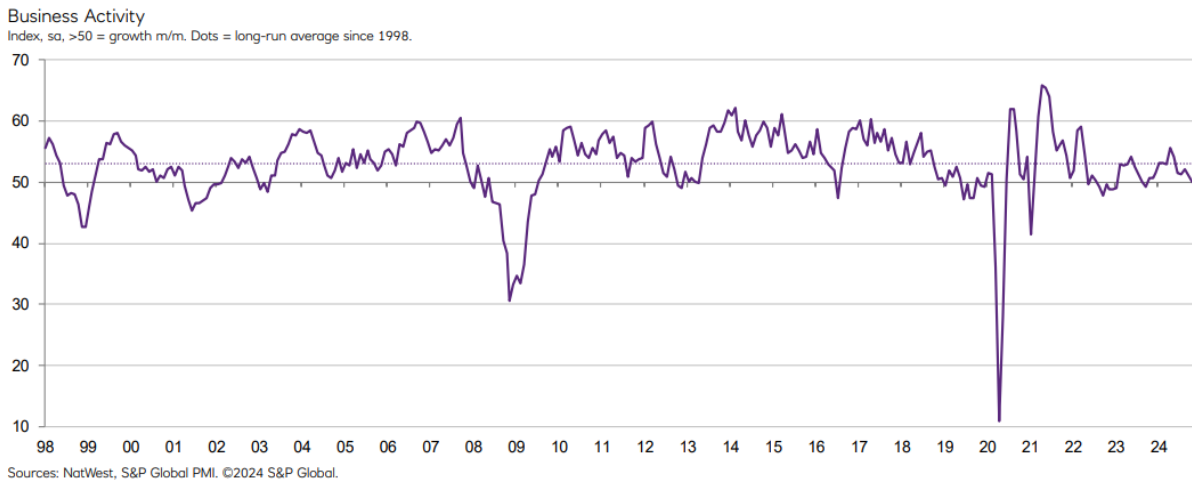
In Detail:

Business Activity Index

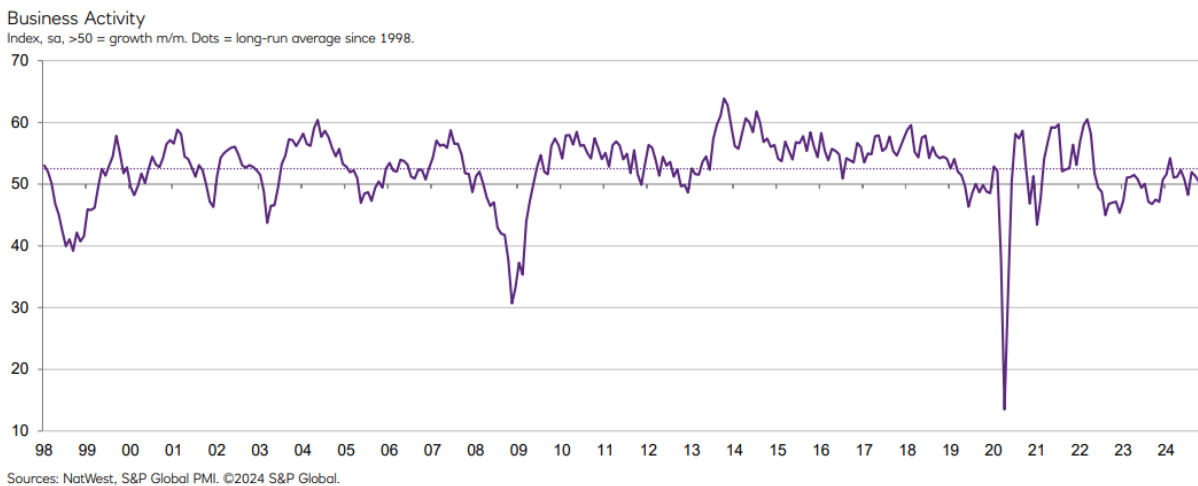
- The West Midlands Business Activity Index decreased from 50.0 in October 2024 to 49.9 in November 2024, the first month of contraction after a 12-month sequence of expansion ended in the previous month, however the reading shows a broadly stable level of output across the region. Where an increase in business activity was recorded, firms commented on sales growth while others that observed a fall commented on subdued client demand and challenging economic conditions across Europe.
- The East Midlands Business Activity Index decreased from 50.4 in October 2024 to 50.1 in November 2024, signalling the fourth consecutive month of expansion despite a softer rise than the previous month. Growth was linked to orders for specialised products and stock building. However, economic uncertainty dampened customer demand.
- In a typical business cycle, regions will move through four phases – expansion, slowdown, contraction and recovery. The November 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 the West Midlands entered 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 sixth highest while the West Midlands ranked seventh highest for business activity in November 2024. London ranked highest at 54.0 and Wales ranked lowest at 47.7.

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



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Demand

- The West Midlands New Business Index decreased from 50.5 in October 2024 to 48.8 in November 2024, ending twenty consecutive months of growth as sales volumes were stymied by subdued client confidence, automotive sector weakness and challenging export conditions in Europe.
- The East Midlands New Business Index decreased from 49.9 in October 2024 to 48.7 in November 2024, the second consecutive month of decline to the fastest rate since June 2024 due to weaker domestic and foreign client demand, and economic uncertainty.

Business Capacity

- The West Midlands Employment Index increased from 46.7 in October 2024 to 47.5 in November 2024 signalling a tenth consecutive month of declines in employment with firms associating the latest round of payroll cuts with redundancies, unplanned resignations and a hike in National Insurance contributions.
- The East Midlands Employment Index increased from 48.4 in October 2024 to 49.7 in November 2024 to signal the seventeenth consecutive monthly drop in employment, however at the slowest rate of job shedding in 11 months. Planned redundancies and cost management solutions drove the decline in workforce numbers.
- The West Midlands Outstanding Business Index decreased from 46.5 in October 2024 to 45.3 in November 2024, signalling two years of declines in outstanding business volumes and the sharpest fall since September 2023.

- The East Midlands Outstanding Business Index decreased from 46.1 in October 2024 to 44.9 in November 2024, the rate of depletion increased to the fastest seen since September 2023 with weak demand conditions meaning firms were able to work through incomplete business.

Prices

- The West Midlands Input Prices Index increased from 56.8 in October 2024 to 60.1 in November 2024, a seven-month high and above the long run average with businesses reporting greater freight, input, insurance and labour costs.
- The East Midlands Input Prices Index increased from 56.8 in October 2024 to 60.4 in November 2024. Firms noted that greater input prices were due to higher material, wage and utility costs.
- The West Midlands Prices Charged Index decreased from 54.4 in October 2024 to 52.1 in November 2024, the weakest rate of inflation since July 2020 as prices were constrained by efforts to stimulate sales.
- The East Midlands Prices Charged Index decreased from 54.6 in October 2024 to 53.6 in November 2024 with inflation being driven by the pass-through of higher costs to customers.

Outlook

- The West Midlands Future Business Activity Index decreased from 71.0 in October 2024 to 68.6 in November 2024, a 23-month low. Despite business confidence decreasing it was the second highest of any region across the UK behind London. Firms expect advertising, inbound tourism, lower borrowing costs and new product releases to underpin growth in the year ahead.
- The East Midlands Future Activity Index decreased from 67.1 in October 2024 to 65.6 in November 2024, signalling a fourth consecutive month of decline to the lowest levels in 2024 so far in the region. Firms anticipated an increase over the next year with firms hoping for stronger demand conditions.

Future Activity Index across all UK regions in November 2024:



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