

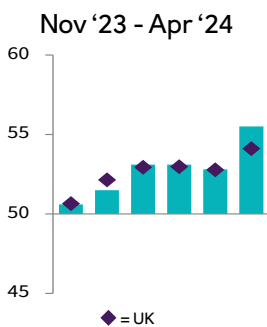


NatWest

NatWest West Midlands PMI[®]

Business activity growth hits 25-month high in April

West Midlands Business Activity Index



Key findings

Quicker upturn in new business boosts output growth

Input cost inflation strongest in over a year

Selling prices rise at one of weakest rates in three years

A recovery in market sentiment and demand conditions fuelled new orders placed with private sector companies in the West Midlands, NatWest PMI[®] data showed. Output expanded at the fastest pace in over two years during April, but labour market constraints prevented local employment from rising. Cost pressures intensified, prompting firms to hike their selling prices again.

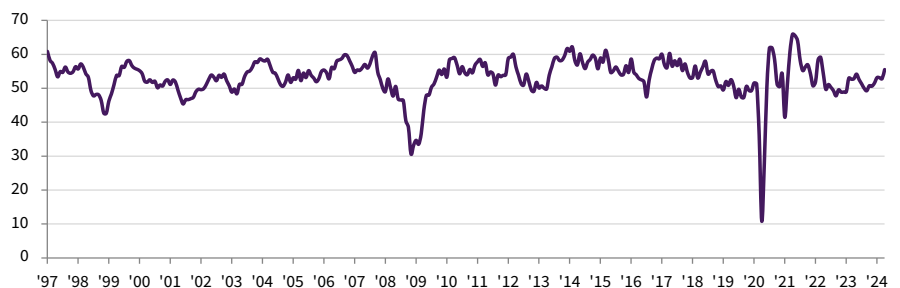
Rising from 52.8 in March to 55.5 in April, the headline NatWest West Midlands PMI[®] Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – highlighted the strongest rate of expansion since March 2022. Growth was fuelled by a rebound in demand, new business gains and an improvement in market sentiment. The local increase in business activity was the second-best of the 12 monitored UK regions and nations, behind only London.

Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

"Local firms welcomed a solid rise in new orders in April, the strongest in ten months, which had a positive impact on business activity. Despite posting the second-best trend for output across the UK, and the greatest locally in over two years, West Midlands companies reported another round of job shedding as labour market constraints impacted recruitment and retention. There were several reports of workers leaving for better pay elsewhere, and difficulties finding suitable candidates for existing vacancies. Another challenge highlighted by the PMI data was a pick-up in cost pressures, though sales-boosting efforts somewhat curbed charge inflation."

West Midlands Business Activity Index

sa, >50 = growth since previous month



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About the West Midlands PMI® report

The NatWest West Midlands PMI® is compiled by S&P Global from responses to questionnaires sent to West Midlands companies that participate in S&P Global's UK manufacturing and services PMI surveys.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The 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 indices are then seasonally adjusted.

The headline figure is the Business Activity Index. This is a diffusion index

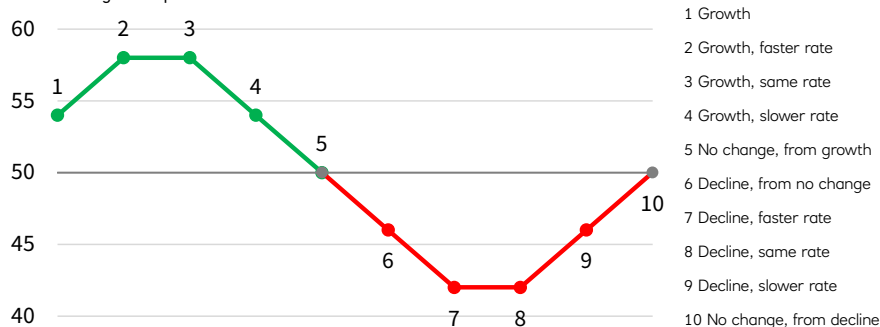
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'West Midlands PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Index interpretation

50.0 = no change since previous month



Demand and outlook

Strongest rise in new business in ten months

April data showed an increase in sales at West Midlands firms, stretching the current sequence of growth to 15 months. Moreover, the upturn was solid and the strongest since June 2023. Panellists indicated that a general improvement in market sentiment and demand resilience, alongside repeat orders and client investment, boosted new orders.

The local expansion in sales was weaker than that seen at the UK level.

Outlook for business activity remains positive

With nearly 64% of all survey participants forecasting output growth in the year ahead, and only 6% anticipating a fall, overall business confidence in the West Midlands remained upbeat. The level of positive sentiment slipped from March's 26-month high, but remained well above the neutral mark of 50.0 and its long-run average.

Expectations of greater inbound tourism and a recovery in the construction sector, parallel to new product releases and marketing efforts, supported optimism.

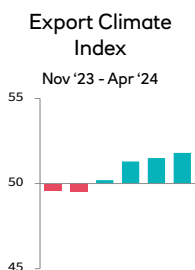
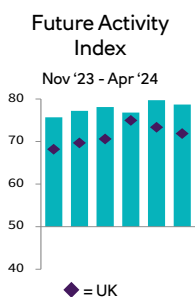
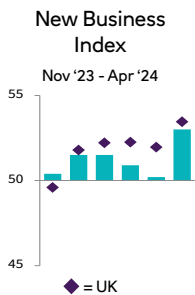
Exports

Export climate improves to greatest extent in nearly a year

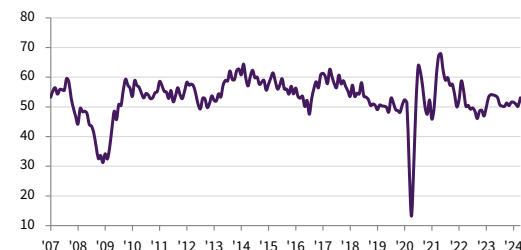
The West Midlands Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of West Midlands. This produces an indicator for the economic health of the region's export markets.

The seasonally adjusted ECI was above the neutral mark of 50.0 for the fourth straight month in April. Moreover, rising from 51.5 in March to 51.8, the latest reading highlighted the fastest rate of expansion in just under a year.

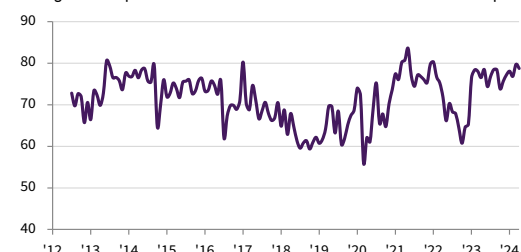
Output grew across the top five export markets for the West Midlands, as France and Germany returned to expansion territory. The strongest increase was recorded in China, followed by the US.



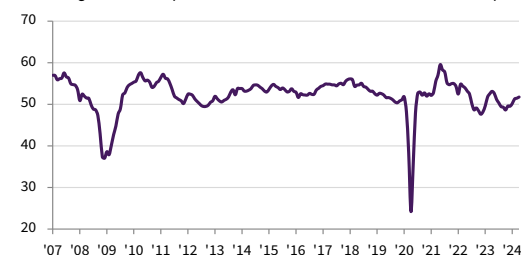
New Business Index
sa, >50 = growth since previous month
53.0
Apr '24



Future Activity Index
>50 = growth expected over next 12 months
78.7
Apr '24



Export Climate Index
sa, >50 = growth since previous month
51.8
Apr '24



Top export markets, West Midlands

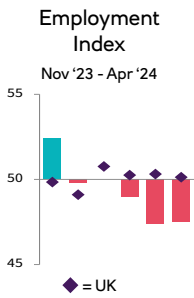
Rank	Market	Weight	Output Index, Apr '24
1	USA	24.3%	51.3
2	Germany	11.9%	50.6
3	China	8.5%	52.8
4	France	7.7%	50.5
5	Ireland	7.2%	50.4

Business capacity

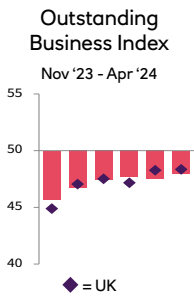
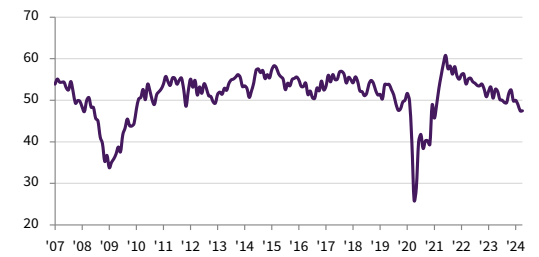
Employment falls for third successive month

Private sector jobs in the West Midlands decreased for the third successive month in April. That said, little-changed since March, the pace of reduction was moderate. According to survey participants, the latest fall stemmed from cost considerations, shortages of skilled labour and staff leaving in search of better pay elsewhere.

Out of the 12 monitored UK regions and nations, the West Midlands recorded the worst trend for employment.



Employment Index 47.5
sa, >50 = growth since previous month Apr '24

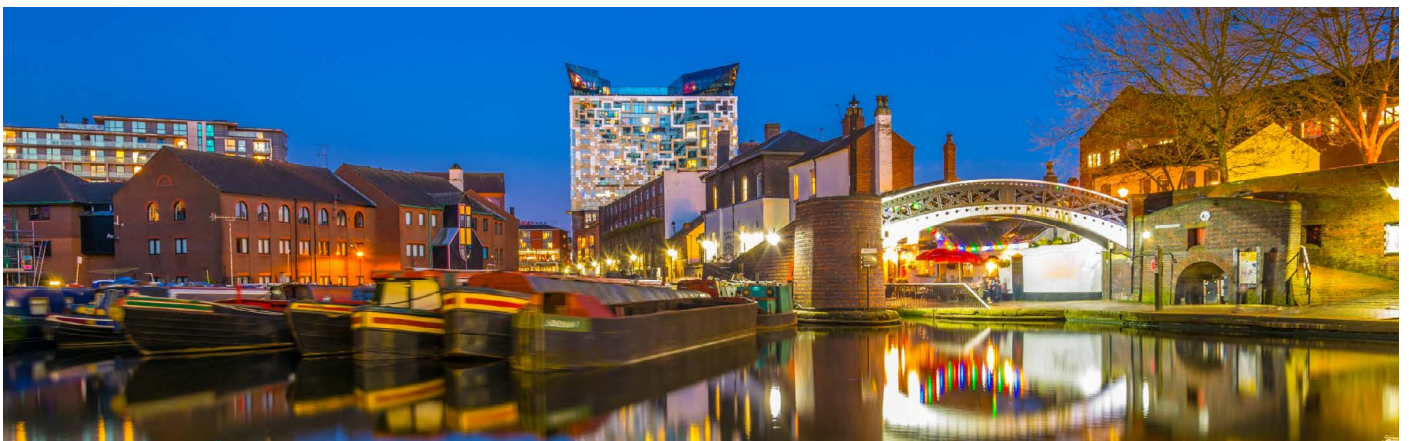
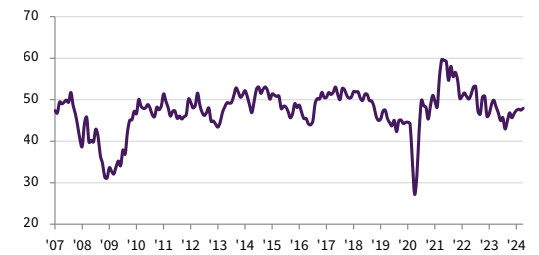


Slowest decline in backlogs for a year

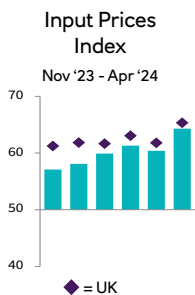
Although outstanding business volumes at private sector companies in the West Midlands continued to fall in April, the rate of depletion retreated to the weakest in a year. Some firms suggested that staff worked overtime to clear pending workloads, with efficiency gains also cited. However, a few companies reported pressure on capacity arising from new business gains and labour shortages.

The contraction in unfinished business across the West Midlands was slightly quicker than the national average.

Outstanding Business Index 48.0
sa, >50 = growth since previous month Apr '24



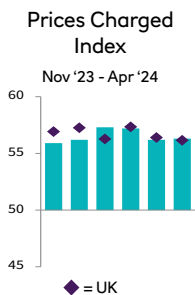
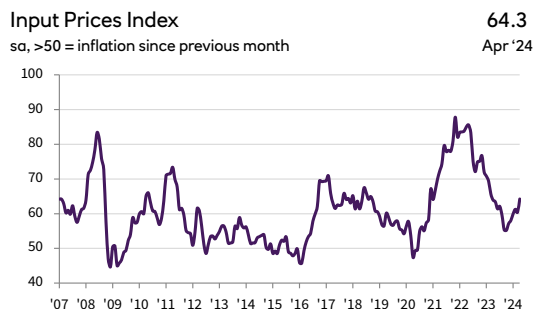
Prices



Sharpest rise in costs for 13 months

Amid reports of greater labour, material and transportation costs, private sector companies in the West Midlands recorded a further increase in operating expenses at the start of the second quarter. The overall rate of inflation was sharp, above its long-run average and the strongest in over a year.

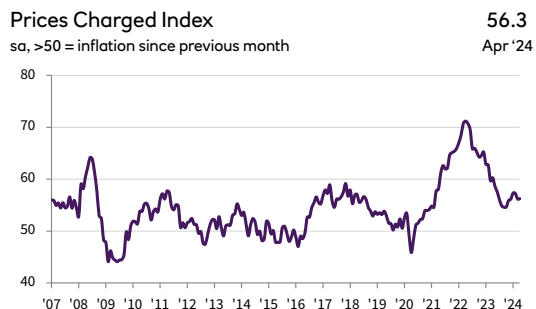
All of the 12 UK regions and nations monitored by the survey recorded a pick-up in cost pressures during April.



Prices charged for goods and services raised further

Ongoing cost increases continued to prompt firms in the West Midlands to lift their selling prices. The rate of charge inflation seen in April was broadly similar to March and one of the weakest in over three years, however. It was also considerably below that noted for input costs.

The local rate of charge inflation was broadly aligned with the national average.



UK Sector PMI

Sector specialisation: West Midlands

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for the West Midlands, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

West Midlands specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Apr '24
1	Transport	2.09	48
2	Basic Metals	1.58	48
3	Mechanical Engineering	1.20	52
4	Other Manufacturing	0.94	50
5	Timber & Paper	0.77	52
6	Electrical & Optical	0.63	45
7	Textiles & Clothing	0.58	48
8	Food & Drink	0.57	52
9	Chemicals & Plastics	0.48	52

West Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '24
1	Transport & Communication	1.26	48
2	Personal & Community Services	1.16	50
3	Hotels, Restaurants & Catering	1.14	52
4	Computing & IT Services	1.04	55
5	Business-to-business Services	0.96	52
6	Financial Intermediation	0.68	58

UK sector focus

Timber & Paper

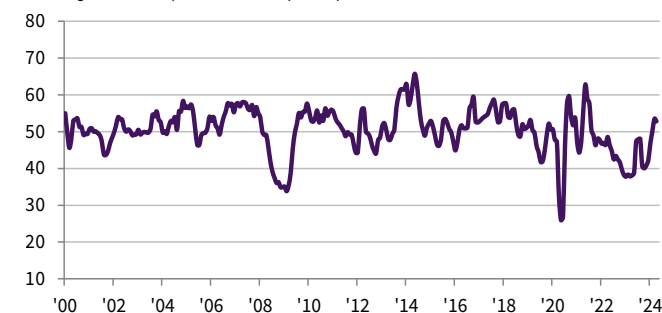
Latest data showed signs of a sustained recovery in production levels across the UK's Timber & Paper manufacturing sector, following a protracted downturn that had lasted almost two-and-a-half years. Output rose at a solid rate in the three months to April, after having returned to growth earlier in the year. Supporting the rebound was a pick-up in underlying demand, which was evidenced by a renewed rise in new orders.

Firms were increasingly optimistic about the outlook for output, with expectations reaching a two-year high. Nevertheless, falling backlogs of work pointed to a lack of pressure on business capacity and, as such, employment continued to be scaled back.

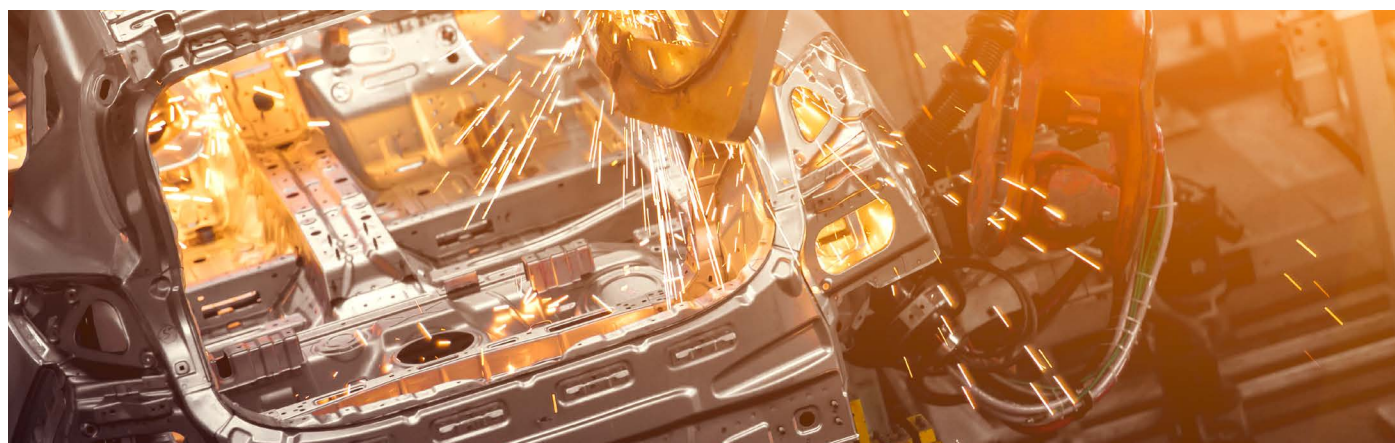
On the price front, Timber & Paper manufacturers reported the first rise in average factory gate charges for over a year. This reflected a combination of stronger customer demand and rising input cost inflation, which reached the fastest since late 2022.

Output Index

sa, >50 = growth since previous month (3mma)*



* 3-month moving average



UK Regional PMI overview

Business Activity

For the second month running, nearly all nations and regions recorded a rise in business activity. London continued to lead growth, recording its steepest rise in output for three months, ahead of the West Midlands and Northern Ireland*. As was the case in March, only Yorkshire & Humber saw activity decline, albeit with the rate of contraction easing from the month before.

Employment

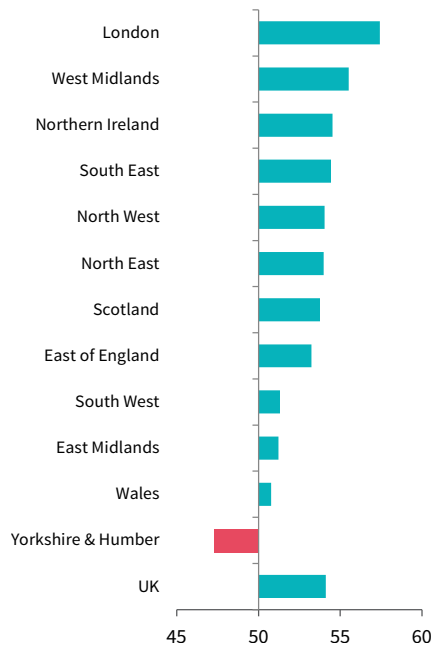
Once again, there were mixed trends on the employment front in April. Northern Ireland topped the rankings for job creation for the second successive month, with Scotland also seeing a solid rise in workforce numbers. However, declines were seen in half of the monitored areas, the steepest of which was recorded in the West Midlands.

Future Activity

Business confidence towards growth prospects in the coming year eased in the majority of nations and regions in April, although expectations were still stronger than their respective long-run averages in most cases. Optimism was highest in the South East, followed closely by the West Midlands, and lowest in Scotland.

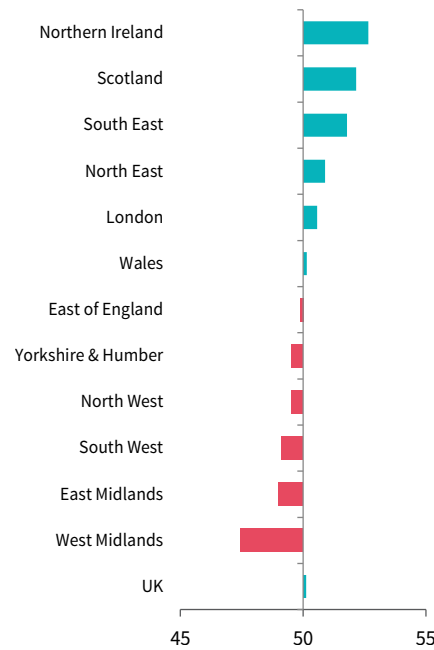
Business Activity Index

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



Employment Index

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

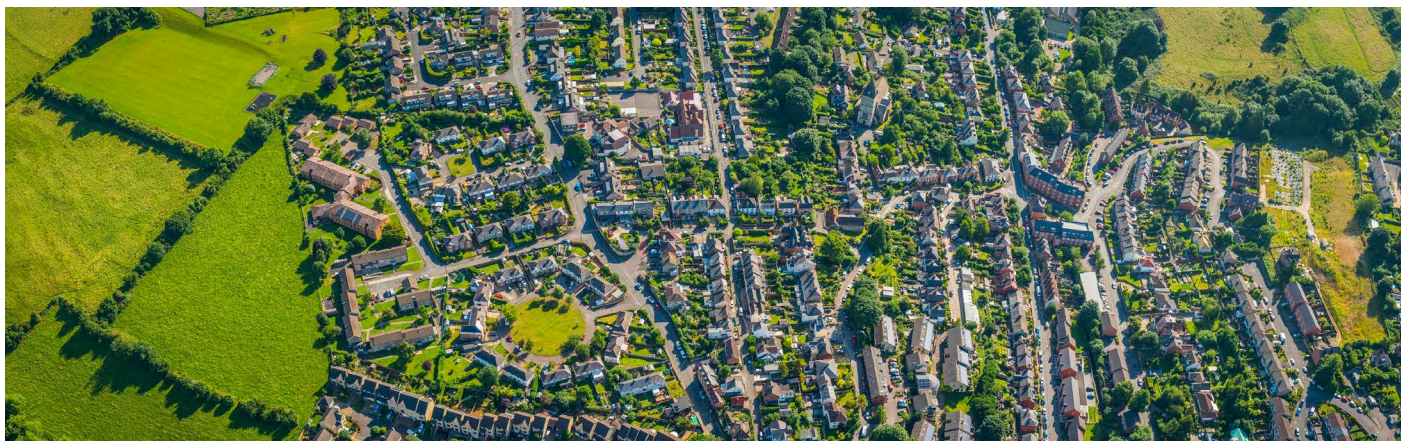


Future Activity Index

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



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Index summary

West Midlands

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Nov '23	50.6	50.4	49.6	75.7	52.4	45.7	57.1	55.9
Dec '23	51.5	51.5	49.5	77.2	49.8	46.7	58.1	56.2
Jan '24	53.1	51.5	50.2	78.1	50.0	47.4	59.9	57.3
Feb '24	53.1	50.9	51.3	76.8	49.0	47.7	61.3	57.2
Mar '24	52.8	50.2	51.5	79.7	47.4	47.5	60.4	56.2
Apr '24	55.5	53.0	51.8	78.7	47.5	48.0	64.3	56.3

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