

13 August 2024

# NatWest West Midlands Growth Tracker

West Midlands sustains economic growth in  
July



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NatWest

PMI<sup>®</sup>

by **S&P Global**

# Key findings

July 2024

**Modest expansion in private sector output**

**Sales growth quickens and employment nearly stabilises**

**Inflationary pressures recede**

The NatWest West Midlands Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit [www.natwest.com/business/insights/economics](http://www.natwest.com/business/insights/economics)





# West Midlands sustains economic growth in July

Latest Regional Growth Tracker survey data from NatWest showed a further increase in West Midlands output as demand growth strengthened.

A stronger improvement in demand for West Midlands goods and services underpinned a further expansion in business activity at the start of the third quarter. Efficiency gains meant that firms were able to process workloads in a timely manner. Meanwhile, inflationary pressures were among the lowest in over three years and employment

broadly stabilised after a sustained period of contraction.

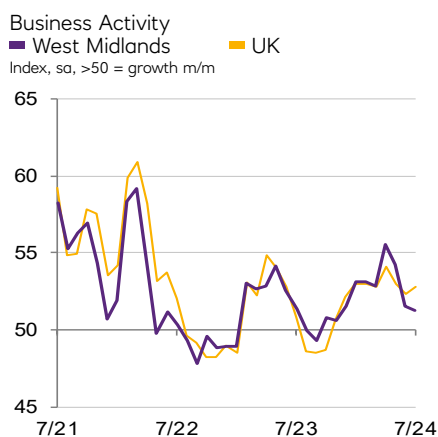
The headline West Midlands Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – fell from 51.6 in June to an eight-month low of 51.2 in July. However, remaining above the neutral mark of 50.0, the latest reading extended the current growth sequence to ten months.

NatWest West Midlands Business Activity Index July 2024

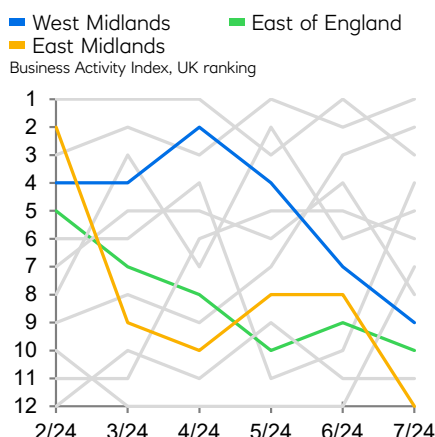
**51.2**

The Business Activity Index is a diffusion index calculated from companies’ responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 11-29 July



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



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



# Comment

**Dipesh Mistry, Chair of the NatWest Midlands and East of England Regional Board, commented:**

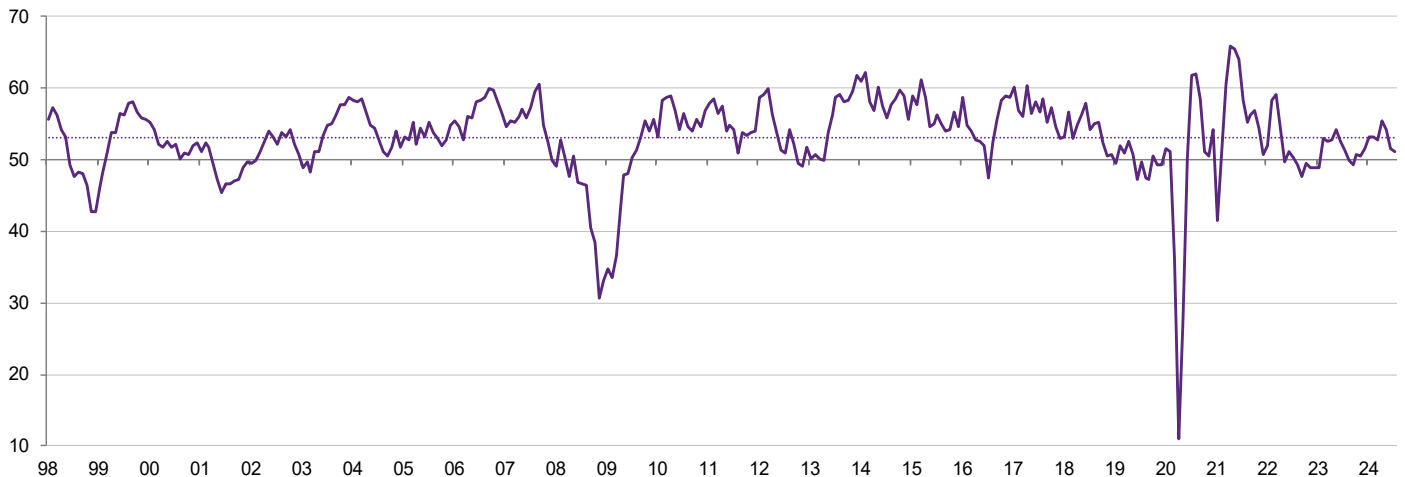
"It's encouraging to see economic growth in the West Midlands entering its tenth month, and more so demand conditions strengthening. With firms generally expecting interest rates to fall and sales to pick up, business confidence towards the year-ahead outlook for output improved. While employment was broadly stagnant, the recovery in optimism, coupled with new business gains, could soon translate into job generation. In recent months firms attempted to keep a lid on expenses via a combination of redundancies and hiring freezes, but signs that price pressures are receding bode well for the local labour market."

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### Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



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



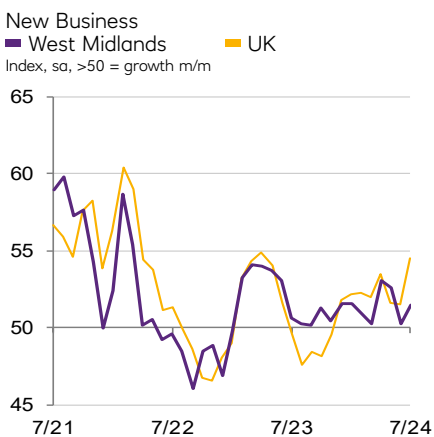
# Demand and outlook

## Current sequence of new order growth extends to a year-and-a-half

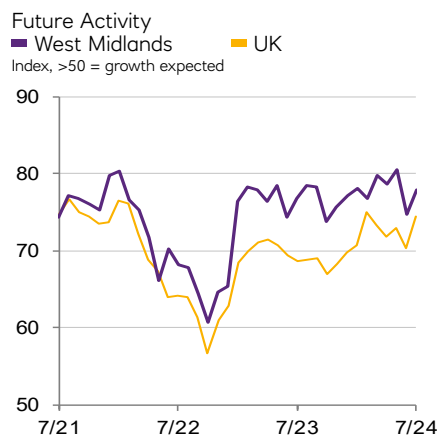
Demand for West Midlands goods and services improved further in July, as signalled by another increase in new business intakes. The latest expansion was moderate, but quicker than in June and the eighteenth in successive months. Advertising, prospects coming to fruition and the securing of large contracts underpinned the rise, anecdotal evidence showed.

West Midlands companies were strongly upbeat towards the year-ahead outlook for business activity, with the level of confidence rising from June's eight-month low and outpacing its long-run average. Investment and tourism, alongside new product releases and the prospect of lower interest rates, boosted optimism.

"Confidence towards the year-ahead outlook for output improved"



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



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



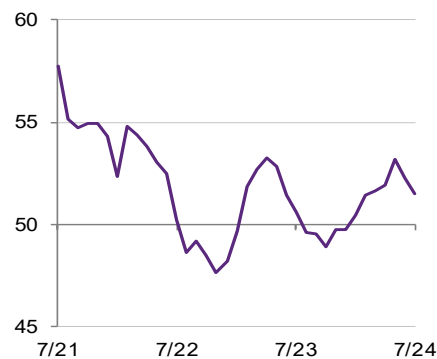
# Export markets

## Export conditions improve further in July, though to lesser extent

At 51.5 in July, the ECI was above the neutral mark of 50.0 for the seventh straight month and hence signalled another improvement in export conditions. That said, falling from 52.3 in June, the latest reading highlighted the slowest pace of expansion since February.

Output grew in two of the top five export markets for the West Midlands, with France, Germany and the Netherlands the exceptions.

Export Conditions  
Index, sa, >50 = growth m/m

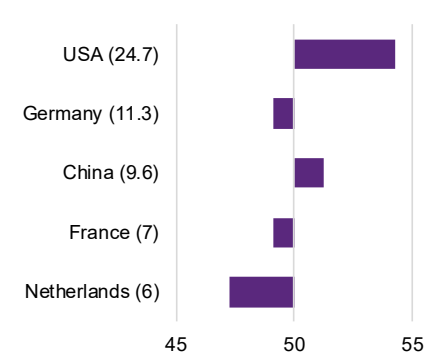


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

The West Midlands Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the West Midlands. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

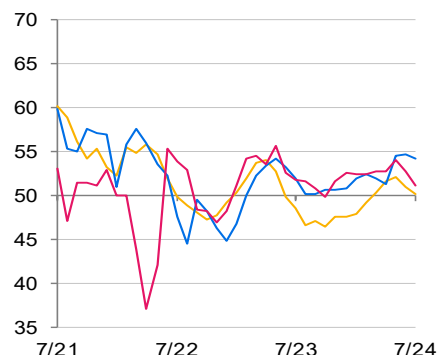
## Top export markets, West Midlands

% share of exports shown in brackets  
Output Index, sa, >50 = growth m/m



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

Output  
Index, sa, >50 = growth m/m



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



# Jobs and capacity

## Workforce numbers broadly unchanged in July

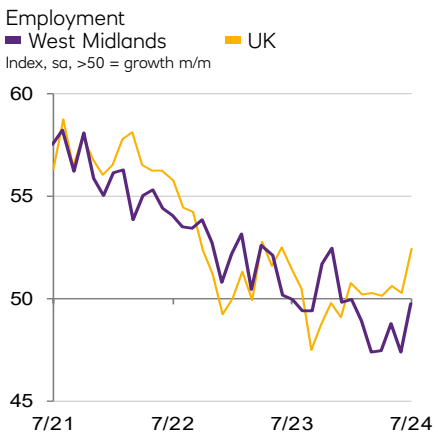
Rising to a six-month high in July, the seasonally adjusted Employment Index was only fractionally below the 50.0 no-change mark and indicated broadly stable workforce numbers across the West Midlands.

By comparison, job creation was registered in ten out of the 12 monitored areas of the UK, with the only other contraction seen in the East Midlands.

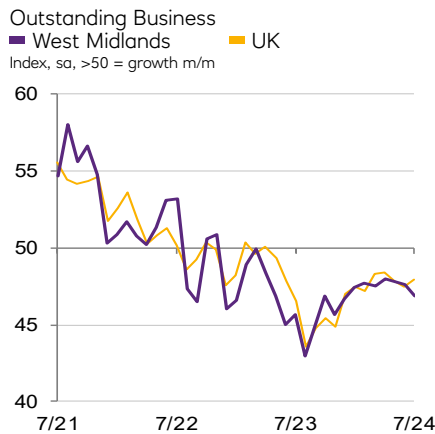
Underlying data showed a general lack of pressure on the capacity of West Midlands companies, as outstanding business volumes decreased further. The fall was the twentieth in successive months and the most pronounced in the year-to-date.

Backlogs of work also decreased at the national level, albeit to a lesser extent than that seen locally.

"Employment was broadly stagnant"



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



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





# Inflation

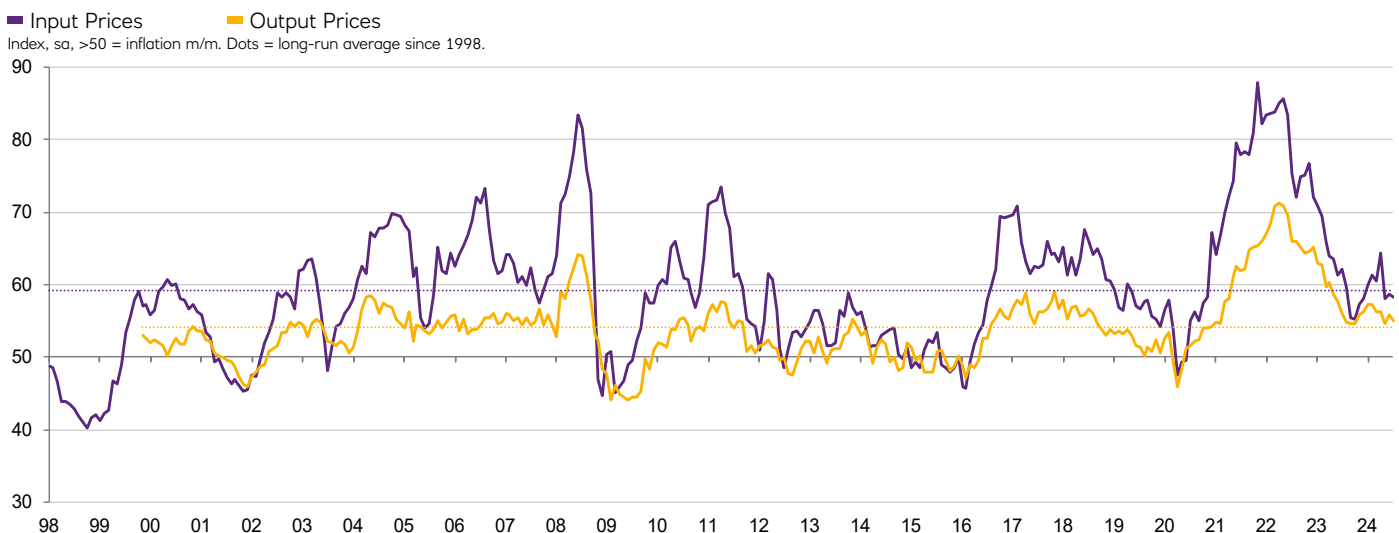
## Input costs increase at below-trend pace

July data showed a further upturn in the overall expenses of West Midlands private sector firms, which panellists attributed to greater food, insurance, labour, packaging and transportation costs.

Easing since June, however, the rate of inflation was among the weakest in around four years and below its long-run average. Curbing the rise were reduced fees for energy and metals.

In line with the trend for input costs, there was a softer increase in prices charged for goods and services. The rate of charge inflation was solid and above the historical average, but nevertheless one of the lowest seen since February 2021.

"Signs that price pressures are receding bode well for the local labour market"



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

# UK Regional Growth Tracker

## Business Activity

Business activity growth was led by Northern Ireland for the second time in the past three months in July. Just behind was the South West, which continued to gain momentum and recorded its steepest rise in output for more than two years. At the other end of the scale, Wales and the East Midlands both recorded modest reductions in business activity.

## Employment

Northern Ireland also topped the rankings for employment growth at the start of the third quarter, recording its fastest rate of job creation since April 2023. The North East posted the next-steepest rise in employment, followed by Wales. As was the case for business activity, the East Midlands was one of just two areas to see a decrease in employment, this time alongside the West Midlands.

## Future Activity

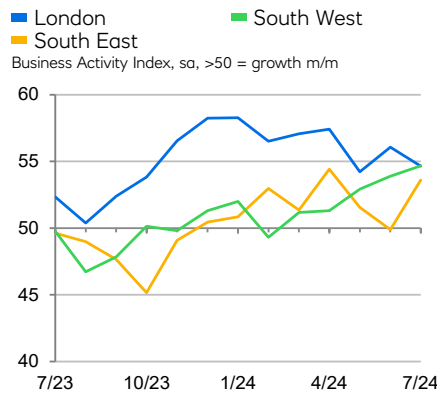
Growth expectations generally improved across the UK in July. The only exception was Northern Ireland, which saw business confidence slip to a six-month low. Firms in the South East were the most upbeat about the outlook, as has been the case in three of the past four months, followed by those in South West. The biggest upswing in optimism was recorded in Yorkshire & Humber.



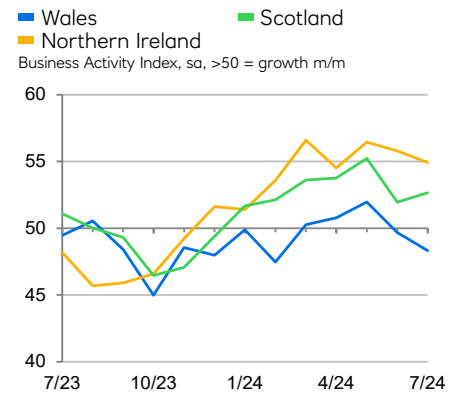
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



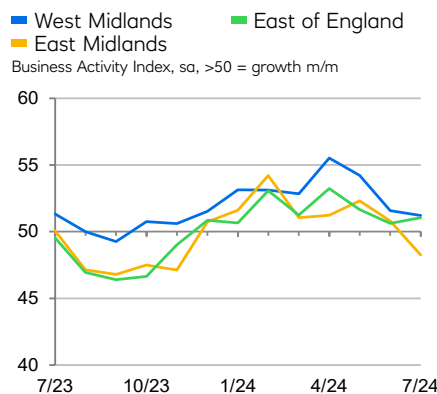
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



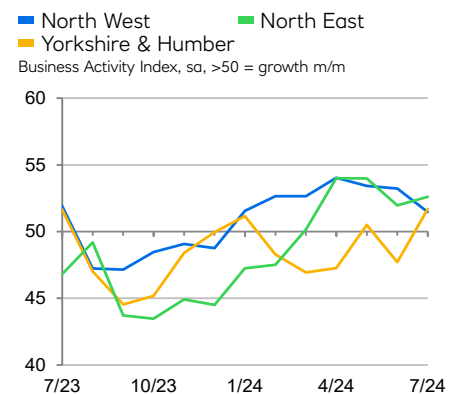
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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

# UK sectors

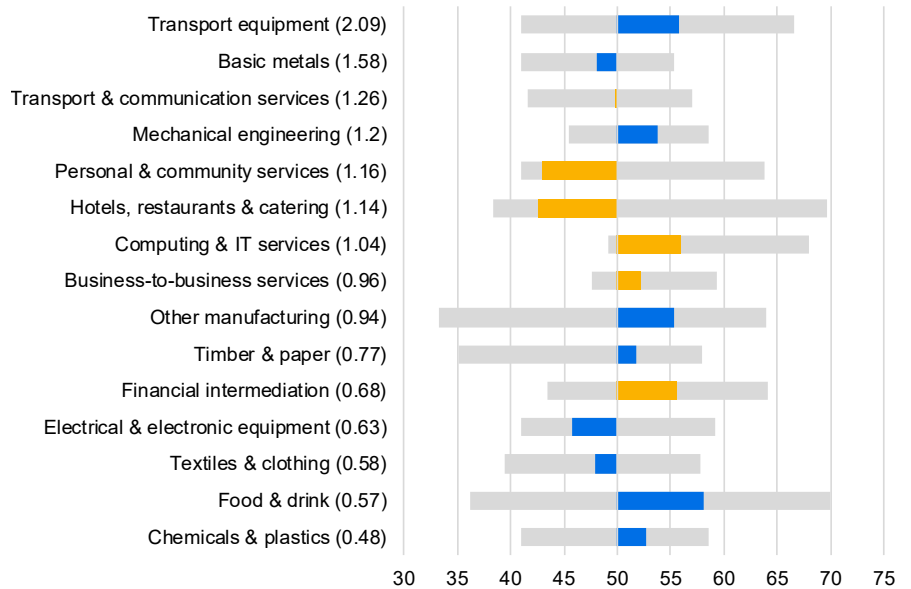
## Sector specialisation: West Midlands

The chart shows UK output indices by sector, ranked by location quotients for the West Midlands. Location quotients (LQs) 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.

UK sectors ranked by importance to the West Midlands economy

■ Manufacturing ■ Services ■ 3-year range  
UK Output Index, sa, >50 = growth m/m Jul '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global. Location quotients for the West Midlands are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

## Sector in focus: Financial intermediation

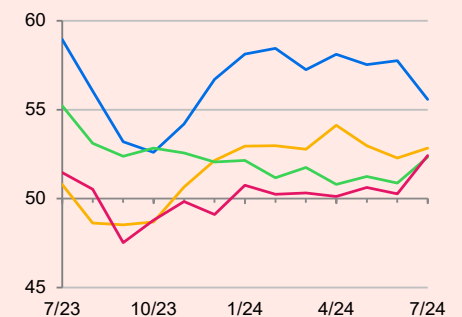
The Financial Intermediation sector was a key growth engine for the UK economy in the three months to July. Business activity rose markedly and at one of the quickest rates recorded among the detailed sectors covered by PMI data. This was despite a loss of momentum that saw growth ease to the weakest since late last year.

Buoyed by strong inflows of new work and high expectations for growth in the coming year, financial intermediation firms upped the rate of job creation in the three months

to July. Employment has risen continuously in the sector since early 2021.

Input prices faced by financial intermediation firms meanwhile rose at the slowest rate for just over three years. Cost pressures were still elevated by historical standards, however, which contributed to another steep rise in average prices charged by businesses in the sector. The rate of output price inflation remained well above the average over the series history stretching back to 1996.

Output / Employment  
■/■ Financial intermediation\*  
■/■ Manufacturing & services  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 S&P Global. \*Data are smoothed as three-month moving average (3mma).

# Methodology

The NatWest West Midlands Growth Tracker 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

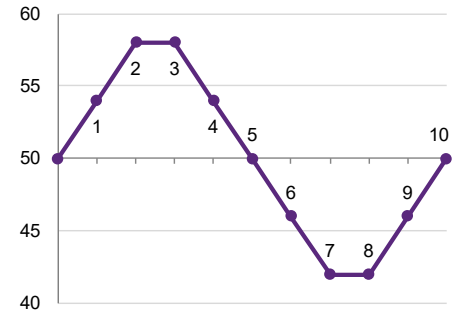
overall decrease. The indices are then seasonally adjusted.

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.

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 survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

Index interpretation  
Index, sa, >50 = growth m/m



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

**Key**

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

# Data

West Midlands manufacturing and services Index, sa, 50 = no change over previous month. \*50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity	Input Prices	Output Prices
2/24	53.1	50.9	51.5	49.0	47.7	76.8	61.3	57.2
3/24	52.8	50.2	51.6	47.4	47.5	79.7	60.4	56.2
4/24	55.5	53.0	51.9	47.5	48.0	78.7	64.3	56.3
5/24	54.2	52.6	53.2	48.8	47.8	80.5	58.0	54.5
6/24	51.6	50.2	52.3	47.4	47.6	74.8	58.6	55.8
7/24	51.2	51.5	51.5	49.8	46.9	77.9	58.3	55.1

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